

# Competition – Worksheet 1

## 1.1 Reading

### COMPETITION

#### I DEFINITION

Competition can be described as the effort of two or more **competitors** to **achieve** business **power** and dominance in the market by offering the most favourable terms. From a different point of view, it is seen as war between competitors in the market **by all legal means** such as sales promotion, offering better services, advertisement, offering higher quality, etc.

#### II IMPACT OF COMPETITION

Competition in the market has both positive and negative impact.

One of its positive consequences is the fact that firms **develop new products**, services, and technologies in order to keep their customers and place in the market. In the process of competition, innovation in processing and development of products is stimulated. Manufacturers try to produce goods as effectively as possible to **cut down production costs** and to be able to **keep up with** competitors and to react to new offers quickly. Prices are lowered to attract customers to buy products and keep the profit stable. There is **improvement in quality** and range of functions or services.

Negative impact of competition is in **waste of effort and money** if the work is not successful and does not bring expected profit. Manufacturers may fight with increase in costs (and prices) because they have to **invest in** new technologies, research, purchase of new machinery, etc.

#### III BASIC TYPES OF COMPETITION

- A) **COMPETITION ACROSS THE MARKET** – it is competition between supply and demand
- B) **COMPETITION ON THE DEMAND SIDE** – in this case, demand is higher than supply
- C) **COMPETITION ON THE SUPPLY SIDE** – supply is higher than demand, prices tend to be low

#### IV OTHER TYPES OF COMPETITION

- A) **PRICE COMPETITION** – sellers **lower the price** and **sacrifice** some of **the profit** in order to keep the customers; they often use **discriminatory low prices** which is illegal
- B) **NON-PRICE COMPETITION** – it is done by means of quality, innovation, packaging, service, selling terms, adverts, etc.

## 1.2 Find in the text and translate.

- |   |  |
|---|--|
| 1 dumpingové ceny .....                 | 10 hospodářská soutěž .....            |
| 2 hosp. soutěž na straně poptávky ..... | 11 obětovat zisk .....                 |
| 3 právní cestou .....                   | 12 vyvíjet nový výrobek .....          |
| 4 konkurent .....                       | 13 cenová konkurence.....              |
| 5 snížit ceny .....                     | 14 držet krok s .....                  |
| 6 snížit výrobní náklady .....          | 15 hosp. soutěž napříč trhem .....     |
| 7 necenová konkurence.....              | 16 ztráta peněz, mrhání penězi .....   |
| 8 zlepšení v kvalitě .....              | 17 hosp. soutěž na straně nabídky..... |
| 9 dosáhnout moci .....                  | 18 investovat do .....                 |

## 1.3 Match the verbs to make phrases.

### ACHIEVE, OFFER, KEEP, STIMULATE, REACT, FIGHT, USE

- 1 Sellers ..... goods for reduced price to attract customers.
- 2 Competitors ..... with each other over customers, place in the market, success or profit.
- 3 Firms make new products because they want to ..... to changes of customers' needs.
- 4 Competitors try to ..... dominance in the market.
- 5 Sellers ..... discriminatory low prices because they want to win by all means.
- 6 Sellers must do everything to ..... their customers.
- 7 Competition ..... innovation of products and services.

## 1.4 Answer the questions.

- 1 What does the term *competition* mean?
- 2 What impact does competition have on the market?
- 3 What is the difference between price and non-price competition?
- 4 Is competition "healthy" for the economy of the country or not?

source of reading: Kaftan M.: New English in Economics, Karolinum, Praha 2010

exercises: © Mgr. Markéta Čeřovská

## Competition – Worksheet 2

### 2.1 Reading

#### OTHER TYPES OF COMPETITION

##### PERFECT COMPETITION

It is an economic model that describes an **ideal market form** in which no producer or consumer has the market power to influence prices and dominate the market. Such a perfect competition would lead to a completely **efficient outcome**.

##### IMPERFECT COMPETITION

It is the competitive situation where the conditions necessary for perfect competition are not satisfied; at least one of the competitors is big and strong enough to influence the market price.

#### TYPES OF IMPERFECT COMPETITION

**MONOPOLY** – there is only one seller or provider of a product or service, there is a lack of **suitable substitute goods** and therefore he can dictate prices.

**OLIGOPOLY** – it is a market form in which a **market** or industry is **dominated by** a small number of sellers, the oligopolistic firms cooperate and decisions of one firm **influence decisions** of other firms.

**MONOPSONY** – there is only one buyer of a product called "monopsonist" but many sellers. Monopsonists have market power and because of that they can **affect the market price** of the purchased goods. (e.g. the state)

**TENDERS** – it is a competition of different bidders trying to **win a contract** to work out some business activity such as work, supply or service

**CARTELS** – a group of formally independent producers who agree to cooperate in order to **increase** their collective **profits** by means of **price fixing**, limiting supply etc., cartels are **prohibited by antitrust laws**.

### 2.2 Find the words in the text.

1 vhodné náhradní zboží .....	9 zvýšit zisky .....
2 monopson .....	10 oligopolie .....
3 dokonalá hosp. soutěž .....	11 dokonalá forma trhu .....
4 monopol .....	12 tendr .....
5 získat smlouvu .....	13 zakázaný antidump. zákonem.....
6 efektivní výstup .....	14 stanovení cen .....
7 ovlivnit rozhodnutí .....	15 ovlivnit tržní cenu .....
8 nedokonalá hosp. soutěž .....	16 kartel .....

### 2.3 Match the terms to the descriptions.

PERFECT COMPETITION, MONOPOLY, COMPETITION, IMPERFECT COMPETITION, OLIGOPOLY, PRICE COMPETITION, MONOPSONY, NON-PRICE COMPETITION, CARTEL

.....	an effort of market subjects which offer certain goods or services to gain advantages over their rivals
.....	there is only one seller of certain goods or services in the market, so he can dictate the prices
.....	competitive activities done by the producers in order to rise profit by means of price
.....	there is a group of sellers who dominate the market of certain goods or services
.....	a theoretic model of an ideal market in which no producer/consumer has power to dominate the market
.....	competitive activities done by the producers to make profit by means of selling terms, quality, etc.
.....	is the competitive situation in which conditions necessary for perfect competition are not satisfied
.....	a form of a business agreement among competitors who offer the same or similar goods, it is done in order to limit competition and make the collective profit as high as possible, it is illegal
.....	there is only one buyer of certain goods and more sellers, the buyer has power to influence the market price of the specific goods

### 2.4 Translate the sentences.

- Hospodářská soutěž se dělí na dva typy: dokonalou a nedokonalou.
- Dokonalá hosp. soutěž představuje ideální stav na trhu a jde pouze o teorii.
- Monopol je příkladem nedokonalé soutěže a vláda se mu snaží předcházet.
- Kartely jsou skupiny prodejců stejného zboží, které spolupracují, aby spolu ovládly trh a byly silnější než ostatní konkurenti.
- Tendr je veřejná soutěž, ve které se více dodavatelů snaží získat smlouvu na dodání nějaké služby.

source of reading: Kaftan M.: New English in Economics, Karolinum, Praha 2010

exercises: © Mgr. Markéta Čeřovská