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COMPETITIVE MARKET TYPES DEVELOPMENT AND MARKET CONCEPT FOR COMPETITIVE POSITION FORMATION

The theoretical framework of a competition began to develop as early as the precapitalist era. However, the first scientific provisions on competition and the sources of its development appeared only in the middle of the eighteenth century due to the works of the classical economic theory representatives. They considered competition as one of the main forces that contributes to the market price making at “natural” level.

The significant role in the development of these theories belongs to A. Smith, D. Ricardo. A great contribution to the development of the theory of competition was subsequently obtained through the works of A. Marshall, J. Keynes, J. Schumpeter, M. Porter and others.

The market concept recognizes market position and strategic industry-specific position of business entities as the basis of the competitive positions. Therefore, the choice of a strategy is formed depending on the market type characteristics, as well as the resources available.

The following markets are distinguished by competitive pattern in the modern economic theory: the market of pure (perfect) competition, which provides equal rights and opportunities for sellers and buyers; the market of imperfect competition (market of oligopolistic, monopolistic competition and pure monopoly). Each of these market types has distinctive features. So it is very important for all market entities to take into account the type of a competition in certain markets and the behaviour of competitors during the competitive position formation.

Depending on the market situation, enterprises must necessarily select competitive advantage strategies, methods and means of their realization in the market segment in which they operate or intend to carry out activities. Thus, the existence of different types of market structures and types of competition in heterogeneous markets significantly influences the realization of the competitive advantages of each economic entity.

Pure or perfect competition is typical for the market, which operates a large number of sellers and buyers of the same product (service). The concept of a perfect competition was first formulated by the founder of the economic theory A. Smith in "An inquiry into the nature and causes of the wealth of nations" in his famous principle of "the invisible hand of the market". He proclaimed that the model of a perfect (pure) competition completely excludes any conscious control over the market processes [1]. W. Jevons was also among the authors, who first used the concept of "a perfect market" [2].

Today agricultural markets, stock markets, international exchange market (Forex) can only relate to the markets of perfect competition (supported by most researchers). Such markets are introduced by somewhat homogeneous products (currency, shares, bonds, grain) and a large number of buyers.

There are some authors' viewpoints regarding the fact that the types of economic activity, related to the production of mass consumer goods (food products, light industry products, household appliances), can be referred to this group. We consider this to be incorrect, as a sign of pure competition is the launch of standardized products manufactured by different enterprises, but do not differ significantly in terms of quality, presale, aftersale service. Another sign of pure competition is slight differences between enterprises in the use of advertising products, brands and trademarks.

At present there is a completely opposite trend in the market, for example, products for the production of footwear, clothing, where differentiated goods are represented, as well as prevailing forms of non-price competition, which allows us to conclude about monopolistic competition, and not pure competition in this market.

Taking into account all the above, it is possible to draw the following conclusions regarding the nature of competitive positions in the market of perfect competition:

1. In such a market, it is most difficult to maintain the external competitive positions of business entities due to the presence of a significant number of sellers who sell goods (services) and a huge number of buyers who can buy these goods.

2. Products are largely interchangeable, not differentiated. This means that market participants do not have a significant market power and they can't make their demands, since prices are determined only by the supply-demand ratio.

3. There is a dominance of unified products, so the choice of competitive positions lies in the area of low cost formation; the value of competitive position by cost can be significant for some time, while they are hard to keep for a long time because of their ease of copying.

At the beginning of the 20th century the economic development was marked by the emergence of large monopolies and the growth of state policy in the economy regulation. This led to the emergence of the concept of "monopolistic competition", formulated in the works of Edward H. Chamberlin "The theory of monopolistic competition" [3], as well as J. Robinson "The economics of imperfect competition" [4]. E. Chamberlin expressed his opinion on the strength of the "coexistence" of monopoly and competition, pointing out two main ways of combining them:

- unique products market formation, that is possible in the presence of two or a small number of sellers;
- differentiated products (services) market organization with substantial control of sellers over products with peculiar qualities.

Regarding J. Robinson's viewpoint, she considered monopoly's functions useful to the society and saw them as reducing production costs, primarily due to the scale effect, technical progress stimulation with available investment potential, markets stabilization and the economy as a whole [5]. In addition to price competition, J. Robinson also offered other means of struggle: company image, product quality level, advertising, customer service specific nature, access to profitable credit.

Subsequently, the criticism of the perfect competition concept, initiated by E. Chamberlin, was continued in the works of J. Schumpeter, a recognized author of effective competition theory. He proved that innovations were more effective framework for a new type of competition than price competition [6].

Monopolistic competition arises in the industry-specific market with many sellers, marketing a differentiated product. This allows them to control in some way the price of a product (service) until they are copied by competitors. In the market of monopolistic competition there is quite a large number of sellers who can satisfy the market demand for the same type of goods (which, instead, are not perfect goods – substitutes) of a small number of buyers. It means that the market share of enterprises operating in this market, as a rule, does not exceed 1-5% of the total market. It is more than business sales that operate in conditions of perfect competition, whose share is considerably less than 1%.

Integration into the market of monopolistic competition is not complicated by such barriers as in the market of pure monopoly or oligopoly, but it is not as easy as in the context of perfect competition.

The distinctive feature of monopolistic competition, especially under current conditions, is non-price competition. A producer has to compete and to achieve competitive positions not so much in price as by improving the consumer characteristics of products. At the same time, he can not only keep the price at a fixed level, but even increase it somewhat. It is possible only under certain conditions: consumers agree to pay a higher price, but due to tangible better consumer properties.

Therefore, products competitive positions associated with their novelty, quality, reliability, modern design, environmental compatibility, compliance with international standards, aftersale services, etc., prevail.

A large number of producers in the market of monopolistic competition do not allow them to coordinate cooperation for reducing the quantity of output to increase prices. In addition, each entity in such a market is not able to considerable affect market prices. That is why enterprises in most cases sell their products at almost the same prices, not allowing significant differences in prices compared to competitors.

The trademarks and business entities image play an important role in the context of non-price competition. The key role in creating a positive image of a company and promotion of products in the market belongs to advertising, which is the most important means of non-price competition.

It is promising to use BTL advertising (below-the-line). These are non-standard marketing communication technologies to promote brand, products and services that provide a two-way dialogue between the seller and consumer directly at points of sale.

Leading foreign marketers believe that products successfully sold are 15% technologies, 85% – net marketing. It is for this reason that non-standard ideas for the promotion of goods are perfect means for competition in the market of monopolistic competition. Companies increasingly invest heavily in strengthening their brands, owing to the focus, first of all, on the values and emotions that connect a buyer with a product to a greater extent than focusing only on the qualitative characteristics of such product. The more differentiated mass-produced products are on the market, the more effective it is possible to individualize the product by means of emotional characteristics, promoting a special lifestyle rather than just advertise.

Examples of types of economic activity with the prevalence of monopolistic competition are: production of women's, men's, children's clothes and shoes; manufacture of fur, jewelry, furniture, soft drinks, books, retail trade, as well as various kinds of services (dry cleaning, laundry, hairdressing).

It is not so much the need to reduce prices as the main way of forming competitive positions is consequently distinctive for monopolistically competitive enterprises, as the improvement of consumer products characteristics, the use of aftersale service new forms, other means of non-price competition and, above all, the introduction of product differentiation principle. Products quality upgrading may frequently be artificial, but due to professional advertising activity, consumers believe in the unique products characteristics. It is the differentiation that promotes high price making by an enterprise. This provides high income for such enterprises on an equal cost level with competitors.

The competitive positions for modern enterprises that use methods of non-price competition are not always related to the technology of production. They often relate to the fields of marketing, service, research and development (R&D), management (quality management, brand management, re-engineering, etc.) and financial innovations – Initial Public Offering (IPO). This was noticed by M. Porter, who proved that the approach to individualization can take different forms: image, trademark, technology, particular services to customers [7].

The monopolistic competition therefore is similar to the conditions of a monopoly in the market entities having for a certain time the opportunity to control the price of their goods. On the other hand, it is in close meaning to perfect competition, because products are sold to many customers. In addition, there is a relatively free market entry and market exit [8].

Oligopolistic competition (Greek oligos – few, poleo – to sell) literally means domination of a small number of sellers and refers to an imperfect type of competition. Oligopolistic competition is characterized by the activity of several huge enterprises that compete with each other and control a significant part of production and sales. D. Robinson considered a real oligopoly more widespread phenomenon than the existence of perfect competition and absolute monopoly [5]. In other words, oligopoly exists, if the number of enterprises in the industry is so small that each of them should take into account the competitors reaction while pricing policy formation.

With an oligopoly, the products of enterprises can be both similar to competitors' products (i.e., to be standardized, for example, mobile communication, copper, zinc, steel) and differentiated (aircrafts, automobiles, household appliances, tobacco products). Enterprises use mainly non-price means of competition to achieve better results.

As noted above, the main feature of oligopoly is a small number of huge companies operating in the market (from 2 to 10). According to expert estimation, an oligopoly is considered to be the industries, where the four largest companies account for more than half of all goods manufactured.

There are high barriers for new enterprises to enter the market in oligopoly. These can be legal restrictions, as well as financial barriers: high seed capital, huge advertising costs and market promotion of a product. Other significant barriers relate to intangible assets holding (patents, licenses, technical secrets and the latest innovative technologies), raw materials and material sources control. That is why a big business prevails in oligopoly.

An oligopoly predominates in modern economy, first of all, in technologically sophisticated industries: metallurgy, chemistry, shipbuilding and automobile manufacturing, electronics, mobile communication, etc. As a rule, there are no light industry enterprises, including apparel industry in such markets.

A pure monopoly is a form of imperfect competition, characterized by a single seller of goods in the market that does not have parity products – substitutes. The monopolist acts on the market alone, controls the price and volume of production, which in the long run allows him to have a monopolistically high profit.

A monopoly can be a large company as well that produces a unique product (or provides unique services) if there is no competition in the sales market. An industry in a pure monopoly consists of one company, that is, the concepts "industry" and "company" practically coincides. This is due to the fact that the demand function of a pure monopolist is combined with the demand function entirely in the industry, since the monopolist represents the whole industry.

There are very severe barriers in a pure monopoly for other enterprises (usually administrative) to enter the market, which are very difficult to overcome. The administrative barriers are also the licenses and patents, which confirm the exclusive right to operate in this market.

The public utilities – electric and gas companies, water supply companies, communication lines, transport companies can be the examples of natural monopolies. As for the enterprises involved in mass production (for example, food, leather, textile, clothing, leather goods and other materials), their main characteristics (small size of enterprises, small market share, low production and investment potential, lack of stable market authority, substitutes availability) do not give reason to claim the monopoly enterprises in the market of pure monopoly exist.

Regarding the competitive struggle methods and competitive positions formation, they practically do not exist unless necessary, because there is no competition in the market of pure monopoly.

Competitive positions depend not only on market models, but also on the characteristics of an overall economic status in the markets where the enterprises operate.

The market concept of competitive positions offered by the American professor of Harvard Business School M. Porter is classic (traditional). It was based on the premise that market entities success in competition is determined by the sector-specific issues, the type and extent of competition, and the activities of a company itself on the market. According to this concept, the source of competitive positions lies in the effective industry and market positions of a company, which are chosen according to its specific nature.

The market concept and the concept of a "competitive position" were directly worked out by Michael Porter in 1985, while formulating the main types of firm competitive strategies (cost leadership and differentiation, focusing on narrow market segments), as well as between broad and narrow domain in the market, taking into account the resources of an enterprise [7].

According to M. Porter, the competitive positions of a market entity arise in the process of a competitive struggle against the five competitive forces that he has identified: with other sellers of similar products (services), enterprises – potential competitors, substitutes producers, resources suppliers, his products buyers. The content of M. Porter's model can be formulated using the three most important aspects of a competition: industry competitive forces, competitive strategies and competitive positions.

While creating his strategies, M. Porter relied on the market conditions stability over a long period of time. He, therefore, adhered to the principles of equilibrium and statics, while modern competition in the markets is much more complicated and steadily growing.

The strategies itself (cost control, differentiation, focusing) have remained unchanged. M. Porter considered the proposed typical strategies to be comprehensive, and asked therefore the management to choose only one of these. At the same time, it is known that a number of successful companies, including Japanese and American ones, used both a competitive strategy for controlling costs and differentiation, while achieving high results.

Taking into account the above, the essence of the market concept is that the attractiveness of an industry, the effective market position of a market entity, due to its specific nature, are the main factors of the influence on competitive positions and achievement of a market success [9].

The scientific literature analysis made it possible to conclude that traditional market concept of competitive positions does not largely correspond to the modern trends:

1. There are no adequate implementation tools in a highly competitive environment (rather than in relatively stable environment when the concept was created).

2. In modern conditions, leading enterprises use successfully both the strategy for controlling costs and differentiation, which M. Porter opposed.

3. This concept doesn't sufficiently consider the influence of a state that is the market entity and significantly influences the competitive positions of an enterprise.

4. It underestimates the role of partnership relations between different market entities. This has a negative impact on the sustainability

of enterprises competitive positions.

5. The traditional concept should be supplemented by the regulations for the modern of competitive positions innovative concept, which is associated with the need to create future markets, new products on the verge of different types of economic activity [10].

The importance of the market concept adherents works lies in the fact that competitive positions and competitive forces were identified within the limits of certain types of economic activity. This allowed solving the problem of an enterprise effectiveness taking into account the peculiarities of its internal and external environment under the dominance of external market factors.

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