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THEORETICAL ASPECTS OF THE FUNCTIONING OF COMPETITION RELATIONS IN UKRAINE

Today’s condition of business dictates the development of free market economy. This is the basis of economic activity of enterprises and countries on the whole. Competition is one of the most important conditions of the market economy. Therefore, if we want to know what the market economy means, we have to understand what the competition means.

In a broad sense, the term “competition” defines the relations between economic operators acting on the same market seeking attainment of certain interests in economic freedom conditions.

Competition has always been a driving force of market relations development in the world. Competition is one of the main research objects of many economists over the years.

Competition is one of the main categories of the economic law of social development. It is one of the most pressing topics of fundamental economic research of today. Competition is a key element in the functioning of the whole mechanism of the market economy. This is an objective mechanism of interaction, interchange, contradictions and struggle of market participants for the most favorable conditions of production and sales.

Consistency and comprehensiveness are the main characteristics of competition. Like all economic phenomena, competition has its objects and subjects.

The subjects of competition are market agents seeking to achieve some economic interests and compete with others.

The objects of competition are market components which are the subject of interest of all market agents.

Competition is the force which subjects producers and resource suppliers to the dictates of buyers' or consumers' sovereignty. Most consumers look for good values when they buy, as well as product reliability and safety. Therefore, individual producers and resource suppliers can only adjust to the wishes of buyers as tabulated and communicated by the market system.

The competition is a determining factor in price fixation, innovation processes stimulus (i.e. introduction into production of new inventions and technologies). It contributes to the exclusion of inefficient production enterprises, the rational use of resources, and does not allow monopolistic producers to dictate their terms to the consumers.

A perfectly competitive market, according to economists, requires all of the following conditions:

- Many buyers and sellers; no individual or group can influence the behavior of the market.
- Identical goods or services offered for sale.
- No buyer or seller knows more than any other about the market.
- Buyers and sellers are able to enter or leave the market at will.

There is an active trend of economy globalization in today's world. This creates more opportunities for competition around the world. But the competition has a number of threats to national economy of any country under the conditions of globalization. Having weaknesses is characteristic of all economies. If the economists do not take this peculiarity into account it can lead to severe economic results, especially in the context of globalization.

Under these conditions, it is important to determine the competitiveness of national economy and country's competitiveness. The competitiveness of national economy is the ability of the economic system to provide socio-economic optimality with high social effect under any influence of internal and external factors.

The competitiveness of a country is a set of properties inherent in the national economy that determine its ability to compete with other countries. It is obvious that the concept of national economy competitiveness is wider and more meaningful than the concept of competitiveness.

Under current economic conditions, it is important for Ukrainian economic system to cooperate with other countries’ economies efficiently. In other words, at the current stage of globalization the competition has been at the international level for a long time. But many opportunities, benefits and risks of competition are not investigated yet even despite this interest.

The competitiveness of enterprises dictates the development of competition relations in Ukraine. The competitiveness supporting the enterprises means that all company's resources are used efficiently so that it becomes more profitable compared to its main competitors. This is due to the fact that the company has a strong position in the market for goods and services, and its products are in constant demand. But in practice, the market is in constant motion and development, depending on the changes in terms of production of goods and their implementation, as reflected in the emergence of new, more advanced technologies of production of goods and services, the emergence of new competitors, variable tastes and desires of consumers, growth or falling demand for goods produced by the enterprise, changing economic conditions of production and sale of goods, and so on.

The competition is a peculiar expression of freedom in economic activity. But the competition phenomenon has a range of benefits and deficiencies that may have their effect both inside and outside the company. Such effects facilitate the formation of competitive strategy directly or indirectly.

Along with the approach from the perspective of the economic sector, in Ukraine the competitors can also be identified from the perspective of the market: competitors are the companies which satisfy the same needs of the customer. The marketers should overcome the stage of the “marketing myopia” and should stop defining the competition with the classical terminology of category. The concept of competition from the perspective of the market reveals a wider and more diverse ensemble of actual and potential clients.

After a company has identified its potential competitors, it needs to analyze their strategies, objectives, advantages and weaknesses.

Strategies. A group of companies which applies the same strategy on a specific target market is known as a strategic group. Let us assume that a company wants to enter the industry of big electric appliances. Which is the strategic group for this company? First of all, the level of the entry barrier is different for each group.

Secondly, if this company succeeds to enter any of the groups, the former members of that group became its main competitors.

Objectives. After having indentified the main competitors and analyzed their strategies, the company has to answer the following questions: What does each of the competitors on the market attempt to obtain? What is the motor of its behavior? The factors which shape the objectives of a competitor are many, including its size, the past experience, the current management and the financial position. A valid hypothesis is that all the competitors strive to maximize their profits. On the other hand, not all of them grant the same importance to the short term profits in relation with the long term profit.

For example, many companies from the United States were criticized for their policy to maximize their profit in very short time, mostly because their performance is the object of shareholder's attention, who might sell their shares if they see any threats, so that the company will be confronted with higher costs for their capital. An alternative hypothesis could be the fact that every competitor is guided by a combination of objectives: present profitability, the increase of the market quote, positive cash flow, technologic supremacy or services supremacy. Last, but not least, a company has to keep under observation the expansion plans of its competitors.

Advantages and weaknesses. A company has to gather information about the advantages and weaknesses of its competitors. Generally, it has to monitor three variables when analyzing its competitors:

1. The market quote. The quote the competitor has on the target market.
2. The rational appeal. The percentage of clients who referred to the competitors when asked: "What is the first company that comes to your mind when this sector of activity is mentioned?"
3. The affective appeal. The percentage of clients who referred to the competitors when asked: "What company would you choose for this product?"

The companies which constantly improve their rational and affective appeal would definitely increase their market quote and profitability.

In order to improve their market quote, many companies evaluate their best competitors comparatively as well as the global leaders in their domain.

The selection of competitors. After the analysis of the client appeal and the careful research of the competition, a company is ready to focus their charge on a competitor which belongs to any of the following pairs of antonymic classes: powerful versus weak competitors; close versus faraway competitors and "good" versus "bad" competitors.

Powerful competitors – weak competitors. Most of the firms direct their strikes towards their weak competitors, as this requires fewer resources for the quote they earn. Still, the company needs to measure up with powerful competitors, because it is the only way to be numbered among the best. Even the most powerful competitors have weaknesses.

Close competitors – faraway competitors. Most of the companies compete with the same type of businesses. Chevrolet competes with Ford, not with Ferrari. Still, the companies should include the faraway competitors.

"Good" competitors and "bad" competitors. Every sector of activity has "good" and "bad" competitors. A company should support the "good" competitors and direct their attacks towards the "bad" ones. The "good" competitors play by the rules; they start from realistic hypothesis in what concerns the growth potential of the sector; they determine their prices in reasonable ratio with the costs; they favor a healthy climate inside the sector; they confine their activity within a segment of their sector; they motivate the others to reduce their costs or to improve the difference; they accept their share of the general level of profit and quota. The "bad" competitors buy the quota rather than earn it by their activity; they take big risks; they make overstock investments; they disturb the equilibrium of their sector.

The main threat of competitive markets in Ukraine is monopolization of the economy. More than 40% of Ukraine's economy is monopolized. When monopoly supplants competition, sellers can influence the market in terms of their own self-interest. Monopolists are not regulated by the will of society as are competitive sellers. Monopoly tends to cause a misallocation of economic resources.

Thus, the competitive relations in Ukraine is an economic phenomena, and regulate almost all spheres of activity of the country.