

Advantages of Competitive Forces

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Abstract: Competition is a factor that positively affects the level of innovation and production in the economy. Managing the level of competition allows to increase the income and productivity of economic subjects.

Keywords: Production scale, service differentiation, market leadership.

Competition in an industry is determined by four main forces, i.e. factors. Let's take a look at these below:

1. Seller's market rule ;
2. of the consumer market rule ;
3. New participants come in to arrive danger ;
4. Place clicker of services appear and die risk

The purpose of competitive management is for the company to find and occupy a position in the field that is more protected from the influence of such forces, or to be able to influence them on its own.

Competitive forces with greater influence will determine the profitability of the industry, and therefore will be important in formulating a clear competitive strategy. Even companies that occupy a leading position in the field are not insured against the entry of new competitors, the emergence of better quality or less expensive substitute services, and the loss of profits.

Different forces in action undoubtedly play an important role in shaping competition in every industry. Any industry has its own unique structure or is a collection of economic and technical bases that serve as a source of growth of competitive forces. In order to have a successful place in the industrial environment, it is necessary to create an idea about the factors that form this industrial environment when developing a strategy.

The extent to which the risk of the emergence of new competitors in the market is considered serious depends on the existence of barriers to entry and influence of existing competitors. There are four criteria that create barriers to entry:

1. Proven economy with increased production scale;
2. of services differentiation ;
3. To capital has been need
4. Relatively high has been expenses .

Right now of the field keyed structure as curve experience concept wide my uncle q hanging on q . This is it to the concept according to q

in most manufacturing industries, unit costs decrease with "experience" in the service sector, or with the increase in the volume of production in individual companies. Cost reduction creates a barrier to the entry of competitors, because the cost of producing the services of new competitors is higher than that of the manufacturer with a large market share due to the lack of "experience". Thus, new entrants face serious challenges as a result of competing with existing competitors. Proponents of the concept of experience curve emphasize the importance of achieving the protection of leadership (leadership) position in the market, and to solve these tasks, they recommend such aggressive policies, such as price reductions, which are based on cost reduction in order to increase market share. Cutting costs while improving experience is not new to most companies in the industry. The experience curve for the strategy depends on which factors are used to decrease the price. If the reduction in costs is caused by the growth of the company's production due to the use of production equipment and vertical integration, then the amount of growth in production does not depend on the relative costs of the producer. In this regard, the lowest price can be offered by a manufacturer with high and effective means.

Potential competitor is an "experienced" competitor efficient to be can If it is new equipment if installed, then to the market come in to go also in the process to one to others which does not occur. So in advance without large capital investments too, new or relatively experienced competitors now at the lowest prices new equipment and technologies to the bird inputs can

One of the important advantages of the market economy in general is that it is based on competition. Without competition, the economy will not develop. Competition is inherent in all aspects of human society. Human interests are at the center of the competition, regardless of the front. Man is created to think about himself and his interests. Everyone strives to manifest their potential, to live a prosperous life, to gain respect among people (such as). As the basis of human society's life is economic activity, it means that competition in economic spheres plays a major role in society's life.

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