

Price matching. A trend among some businesses is to meet their competitors' prices. Lowe's, Best Buy, Staples, and Target all offer to match their competitors' prices. They use slogans like "We'll never be undersold" or "We'll meet or beat any competitor's price." This assures customers that they are getting the lowest possible prices.

Rebates. Some manufacturers also offer to return part of the purchase price a customer pays for a good or service. Rebates have become popular for all sorts of products, ranging from cars to computers.

Price Isn't Everything

What happens if prices are all about the same for a product or are not important? What if customers don't care about discounts and rebates? Then, businesses rely on **nonprice competition**. This happens when businesses compete on a basis other than price to attract scarce customer dollars. Popular examples of nonprice competition include promoting quality, special features, trained personnel, outstanding service, modern facilities, and a wide variety of products.

Many times, the quality or newness of a product is much more important than price. Think about laser eye surgery as an example. While you might be concerned about how much the procedure will cost, you'd probably be even more concerned about whether the doctor is well qualified and using the latest technology. After all, what good is there in having the surgery done if it isn't done right, regardless of price?

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- ▲ Have you ever shopped at a business that promised to meet or beat any competitor's price? This is known as price matching.

The Role of Government

In a private enterprise system, governments regulate businesses to encourage ethical and legal competition. Several pieces of federal legislation have been passed over the years to promote competition, which can help to keep prices down, quality good, and production efficient. These acts include:

- **Sherman Antitrust Act (1890)**

Prevents monopolies from forming and hinders **price fixing**

- **Clayton Act (1914)**

Prevents specific business actions that might restrict competition, such as **tying agreements** and **exclusive agreements**

- **Federal Trade Commission Act (1914)**

Created a regulatory agency, the Federal Trade Commission (FTC), which monitors business activities to prevent unfair competition

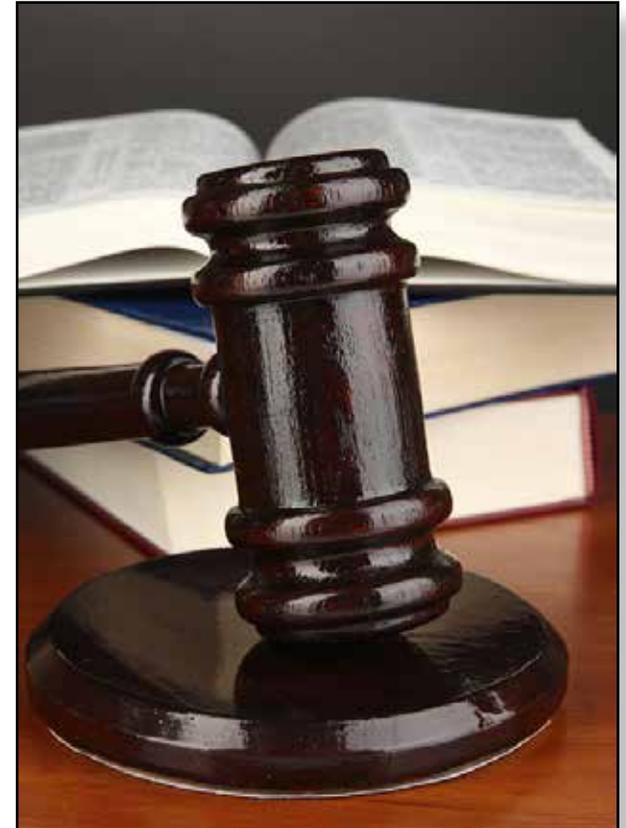
- **Robinson-Patman Act (1936)**

Prohibits **price discrimination** so that all businesses purchasing similar amounts and types of products would be charged the same price

- **Celler-Kefauver Antimerger Act (1950)**

Protects competitors from takeovers if the acquisition would hinder competition

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The video "A Brief History of the Birth of the Federal Trade Commission" from the FTC explains how the government uses these pieces of legislation to regulate competition: <http://www.youtube.com/watch?v=NssfPApe5iQ>.

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 offers sandwiches, chili, baked potatoes, salads, and desserts. The hope is that most, if not all, customers can find something on the menu.

Keep prices down. Price is often a major 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 price as low as possible. As a result, customers get a good value for their money.

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"At Green Acres Repair we offer free shuttle service to get you where you need to be while we work on your car."

www.greenacresrepair.com

- ▲ Have you noticed that many auto-repair shops provide customers with free transportation to and from work? Services like these are just one benefit customers receive from competition.