



Business/Marketing Virtual Learning

11-12 grade College Business

May 18, 2020



Lesson: [May 18, 2020]

Objective/Learning Target:

Market Competition

Distinguish between direct and indirect competition.

Let's Get Started

Watch this Video:

[Direct vs Indirect Competition](#)



Direct and Indirect Competition

Just as there are different types of market segments and positioning strategies, there are different types of competition that businesses face when positioning their products. To be able to compete successfully, businesses must be able to identify and reach a market segment that has a need for their product or service and position itself effectively against its competitors.

The type of competition faced by a business will affect its positioning. There are two major types of competition that businesses must recognize and address - direct versus indirect competition and price versus nonprice competition.

1) Direct Competition - Competition in a market with businesses that offer the same type of product or service. This is a common type of competition. Businesses that compete directly must know who their competitors are. EXAMPLE: McDonalds, Burger King, Wendys, Taco Bell, KFC, are direct competitors. They may have the same or different menu items, but they are all competing in the fast food market segments.

2) Indirect Competition - Competition between companies offering products or services that are not in the same product category, but that satisfy similar customer needs. Each market segment places value on different things, and each business must appeal to the characteristics of its target segments. EXAMPLE: A movie theater competes directly with other are theaters, but it competes indirectly with Netflix and the on-demand feature of many television services, and even more broadly with other entertainment choices.

ACTIVITY #31

- 1) What is the direct and indirect competition for a small neighborhood grocery store?
- 2) How do direct and indirect competition differ?
- 3) What type of competition occurs when a business competes with other companies offering products that are not in the same product category but that satisfy similar customer needs?
- 4) What is the direct competition and indirect competition for a taxi service?