

# Competition Situation in Lithuania: From Theory to Practice

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## ABSTRACT

Competition is the competition between manufacturers, consumers and other economic actors for markets, goods and other resources. Competition occurs when, in a single sphere - trade, production, distribution of goods or other activities, there are several entities engaged in the same activity. Article analyzes concept of competition, competition advantages and disadvantages, competition situation in Lithuania.

**KEYWORDS:** *competition, competitors. Competition advantages and disadvantages*

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## INTRODUCTION

Competition is a struggle between companies for a client. Competition is determined by the competitive advantages of companies. What are the competitive advantages? This is primarily a product or service, price, quality, customer loyalty, advertising. Competition was and remains a form of competition between market companies. Competition policy is governed by rules, to compete with each other honestly. Enhancing entrepreneurship and productivity consumers have more choice, it also helps to reduce prices and improve quality. The EU struggles with anti-competitive behavior, checks how it binds companies and state aids also encourage for the following reasons.

### Competition concept

Competition is defined as 'match that often takes place between more or less equal rivals. From the term competition we can derive many different definitions, all of which are based on the ability to compete, the ability to perceive the product as a better alternative than the one

offered by competing companies. Competition is what gives the company a competitive advantage, i. product, quality, price, brand, brand advertising, warranty, feedback. Table 1 show different competition definition. Listra, E. (2015) define three important things of competition: main competition variable, the level of achievement sought, competitive process. Mayo, J., W. (2016) competition describe as reason for improved enterprise-level efficiency. Zelga, K. (2017) state that competition is elimination of competitors in the same industry take over your customers. Stankiewicz, M. J. (2005) define that competition is when participants compete with each other for similar goals. Rastenytė, M. (2019) define competition is a struggle for a potential consumer who will really choose what is right and acceptable to him. The main factor determining market prices is competition. Competition is a competition between consumers who want to buy this product or service. Consumer competition increases the price of a product and, on the contrary, it reduces.

**Table1. Definition of competition**

| Author                    | Highlight   |
|---------------------------|---|
| Listra, E. (2015)         | Three important things to keep in mind when considering competition goals: main competition variable (price, quantity, quality, etc.); the level of achievement sought; and competitive process, at least partly determined by strategic goals of agents. |
| Mayo, J., W. (2016)       | Competition is usually the reason for improved enterprise-level efficiency, lower prices, better quality, faster innovation and faster development new services.  |
| Zelga, K. (2017)          | Competition essence is based on the elimination of competitors in the same industry take over your customers.   |
| Stankiewicz, M. J. (2005) | Competition is when participants compete with each other for similar goals, which means that some people's actions to achieve certain goals make it difficult (or even impossible) achieve the same goals for others.                                     |

|                        |  |
|------------------------|--|
| Rastenytė, M. (2019)   | Competition is just a struggle for a potential consumer who will really choose what is right and acceptable to him. Competition is a market situation where there are plenty of buyers, sellers, when there is a possibility of free market entry and exit and information about prices of other producers is available to the buyer |
| Competition law (1999) | Competition is the act of engaging in competition between operators who are or may be exposed to competition in the same relevant market.  |

Competition can take several forms: perfect competition, monopoly competition, oligopoly or monopoly. Perfect competition rarely develops in the market. The most common market competition is monopoly competition. Monopolistic competition can be defined as: many manufacturers, many sellers, many buyers. However, there are some essential features that make monopolistic competition different from perfect competition. First, manufacturers produce differentiated goods, not identical to those of perfect competition. This gives them some monopoly power. Market entry is more difficult than perfect competition. Oligopoly is a situation where large companies operate on the market. They set the market price, trade differentiated goods, form high entry / market barriers. In an oligopolistic market situation, companies often set up illegal cartels to maximize their overall profits. From a societal point of view, this is a very negative phenomenon, because it restricts competition, reduces the choice of goods, stops small businesses, and consumers pay more for goods. There is only one vendor in monopoly competition, he perceives his influence on the market price and chooses such a combination of price and quantity to get the most profit. Entry to the market is practically impossible, consumers pay much higher prices, stop competition and deprive consumers of choice.

**Competition advantages and disadvantages**

| Advantages   | Disadvantages   |
|--|---|
| While the forces of economic competition reduce market share, it can also force to become a better business.   | Competition reduces your market share and reduces your customer base, especially if the demand for your products or services is limited from the start.<br><br>As economic competition can be difficult for businesses, it can harm companies that you are constantly supporting.<br><br>Companies can engage in bad practices and can lead to flaws in high levels of competition, such as: increased pollution, unfair trading, social and ethical issues - child labor and poor working conditions, high risk of unemployment. |
| Market competition will encourage them to improve their supply to better meet your needs.  |   |
| A higher level of competition means that companies have less influence on price increases  |   |
| High competition means that companies have to compete for the quality of goods and services so that they do not lose customers to their competitors. |   |
| More companies providing products mean that consumers have more choices.   |   |
| High competition forces companies to be effective and remain competitive.  |   |

**Competition institution activity in Lithuania**

The Competition Council of the Republic of Lithuania (CC) is an independent state institution accountable to the Seimas of the Republic of Lithuania. As part of its state competition policy, the CC oversees compliance with the Competition Act (CA) and entrusted with the application of EU competition law, coordinates EU state aid rules in Lithuania. The CC also performs the functions provided for in the Law on Insurance of Unfair Activities of Advertising, Local Self-Government and Retail Trade Companies. The purpose of the Law on Competition of the Republic of Lithuania is to protect the freedom of fair competition in the Republic of Lithuania. This law regulates the activities of restricting or potentially restricting the activities of public administration entities and economic operators and acts of unfair competition, determines the rights, duties and responsibilities of these entities, legal bases for restriction of competition and supervision of unfair competition in the Republic of Lithuania and damages caused due to violations of competition law peculiarities. The Competition Authority is the body that exercises state competition policy and controls compliance with the Law on Competition. It controls how companies, state administration and self-government institutions comply with the requirements of the Law on Competition; determines the criteria and procedure for

determining the dominant position, determines the market share of the undertakings and their position in the relevant market. Its competence is the analysis of legal acts adopted by state administration and self-government institutions or other compliance of decisions with the Law on Competition. The Competition Council itself investigates acts of unfair competition only in cases where such actions violate the interests of many economic operators or consumers. It appeals to the state administration and self-government institutions to change or abolish legislation or other restrictive decisions. If the claim is not fulfilled, the Council has the right to appeal to the Supreme Administrative Court of Lithuania, with the exception of the normative acts of the Government of the Republic of Lithuania, decisions of the municipal authorities to the district administrative court.

The resolutions of the Competition Council are adopted by a majority vote, if the votes are distributed equally, then the vote of the Chairman of the Competition Council is decisive.

The Competition Council may, of itself, initiate an investigation by adopting a reasoned decision, but an investigation into restrictive practices may be required. You have the right to do this:

- economic entities whose interests are violated by anti-competitive practices;
- State administration and self-government institutions;
- associations or unions representing the interests of economic operators and consumers.

The claim must be made in a written form containing factual information about the competitors' actions or circumstances restricting competition, and supporting documents. However, the Competition Council may waive the investigation if, in its opinion, the evidence provided is insignificant or does not cause serious harm. Cases before the Competition Council are open to the public. After examination of the case, the Competition Council adopts a resolution which specifies the circumstances of the violation of the Law on Competition, evidence of the fault of the offender, explanations of the offender, the applicant and other persons submitted to the Competition Council, and their evaluation, reasons for the ruling and legal basis. The decision of the Competition Council adopted pursuant to this Article may only be amended or annulled by a court. In 2018, the Competition Council issued 36 authorizations for concentration. In 2018, the Competition Council prevented Rimi and Iki from merging, recognizing that 17 stores were not found to be a suitable buyer to ensure competition. The Competition Council put forward proposals to improve legislation to balance the interests of major trading companies and suppliers. In 2018, the Competition Council evaluated 475 advertisements:

- After sending 214 warnings companies changed or stopped distributing potentially misleading ads.
- In 2018, the Competition Council identified three violations of advertising law: two companies would be punished for misleading consumers when using misleading user feedback when advertising a multi-storey building.
- The e-shop management company misled consumers by encouraging them to buy goods as soon as possible through supposedly short-term stocks, although the discounts were long enough.

Courts have confirmed 90 percent Competition Council decisions and requests:

- Forum Cinemas has justifiably been fined for agreeing with its competitors to opt out of discounts during the first weeks of the most popular movie shows.
- Managers of triad companies have been restricted for four years from taking up managerial positions due to their involvement in the cartel.
- Panevėžys City Municipality, which privileged its company, restricted competition.

The Competition Council assessed 410 draft legislation, the authors of which took into account 80%. comments:

- upon the proposal of the Competition Council, the Government has changed the procedure for regulating not only notarial fees but also the regulation of the remuneration of anchors.
- For the 2 municipalities, the Competition Council did not allow economic activities in the markets for vehicle washing and packet mowing services.
- 2 imposed fines on municipalities for restricting competition.

In 2018, the Competition Council identified two restrictive agreements:

- 26 driving schools and the Association of Lithuanian Drivers and Qualification Schools formed a cartel and raised the prices of driving courses in Vilnius, Kaunas and Jurbarkas.
- The size of the salary for notarial acts was determined by the members of the Lithuanian Chamber of Notaries and their Presidium and the procedure for their calculation did not allow consumers to offer cheaper services.

1 euro invested in the activities of the Competition Council, bringing the expected benefits of 7.6 euros. EUR 15 million average annual direct benefit to consumers in 2016-2018 from the Competition Council.

Competition Council give penalties 780 800 EUR in 2018, including 707 800 EUR for restrictive agreements, 56 200 EUR for municipal infringements. 27,084,668 EUR total fines paid by offenders for 2016-2018.

The Competition Council read 155 reports in Lithuania and abroad in 2018. In 2016-2018, the competition knowledge was spread to 1100 participants in ten regions of the country. 700 pupils and 50 economic teachers discussed about competition benefits, cartel agreements and misleading advertising with experts from the Competition Council.

### Conclusions

Competing companies are constantly forced to provide the best and most diverse goods at the most attractive prices, otherwise consumers will buy elsewhere. In a free market, business should be a race to benefit consumers. Sometimes companies try to restrict competition. In order to ensure the proper functioning of product markets, institutions such as Competition Council must necessarily prevent or correct anti-competitive practices. The essence of competition policy is to apply rules to ensure that companies and companies compete fairly with each other. Competition policy promotes entrepreneurship and increases efficiency. Because of this, consumers have more to choose from, lower prices, and better quality. The easiest way to get a high market share is to offer a lower price. Under competitive market conditions, prices are lower. This is not only beneficial to consumers, who can afford to buy more - competition encourages companies to produce and generally stimulates economic growth. Competition also encourages companies to improve the quality of goods and services to attract more customers and increase their market share. Better quality can mean: longer or better-performing goods, better help with a product or technical assistance, more friendly and better service. In a competitive market, companies will try to provide goods that are different from others. This ensures greater choice and allows consumers to choose the product with the best value for money.

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