



# Competition a business could face

## Type of competition a business could face:

Depending on the product and market in which business is entering, there are two situations a business could face:

- Price War
- Risk Situation

### Price War

If the business is entering in a market full of competitors offering a similar product then business is entering in Price War situation to survive.

### Risky Situation

When business is introducing a new product in the market then potential risks exceed the potential rewards.

## Avoid this:

### Cash crisis

Very few new businesses prepare and maintain one year's cash flow in advance. Management should be able to understand the difference between cash and profit.

### Wrong location of the business

Business location should be easily accessible and searchable by the potential clients.

### Wrong timing for growth of the business

Expanding business at wrong time and running out of the cash

### Falling out

Failure of business partnerships, partners should trust each other to make business successful. Always chose the right partner and right service providers.

### No management account

According to Insolvency Act, it is an offence if the directors continue trading inspite of knowing their business is in trouble. Directors need to be financially literate to understand management accounts.

### No business plan

Business without a business plan is like a boat in the middle of the sea heading towards a wrong direction. Always make sure your business plan is realistic and prepared in a professional manner.