positioning of companies in branches takes place through a strategic game as a set of market-related choices. Originally, the term market referred to the area where buyers and sellers gathered to exchange goods. In micro-economic analysis, sellers represent the industry and buyers represent the market. Each individual customer has its own demand curve as a function of price and quantity, and each individual company has its own supply curve as a function of price and quantity.

While this chapter provides a broader context of the changing business environment, the following chapters focus on Porter's contribution to this important subject.

Notes

1 Walras's law is a principle in general equilibrium theory which states that budget constraints mean that the values of excess demand (or, conversely, excess in the materials market) must give a result of zero.
2 A market is a set of buyers and sellers who, through their actual or potential interactions, determine the price of products and services. It is also a process in which the decisions of buyers and sellers for certain goods or services are harmonised through prices and competition.
3 The market of full (perfect) competition … is reflected in the form of a short-term supply curve of a competing company when the part of the marginal cost curve is above the average variable costs.
4 The demand curve represents the relationship of prices and quantities of goods purchased or for which there is demand on the market; in other words, the demand curve is a graph showing the relationship between the price of goods and the quantity demanded.
5 In microeconomics, the cost curve graphically represents production costs as a function of total quantity produced. In free market conditions, efficient firms use this curve to optimise production (cost minimisation).
6 Rational buyers will buy more of those goods or services whose price tends to fall since they can buy more goods and services for their income.
7 The law of supply and demand motivates and rewards economic entities that are more efficient and productive, and punishes those that are economically inefficient and insufficiently productive.

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