The internet, created for access by the world's population approximately twenty years ago, has evolved exponentially to improve market competition among firms and businesses. Its uniqueness has come from its ability for easy use and freedom of information, though with these fundamental principles, other characteristics have brought us closer to a sense of perfect competition than ever before. Indeed, the internet is rapidly becoming a necessity rather than the luxury it once was. In theory, the internet should mean that every market works perfectly. However, even the internet provides detrimental effects, often different to those of conventional means such as typical market failure.

The internet has been used to widen the customer base of particular businesses, creating greater profit margins than could ever have been imagined. This has been accentuated through the tactic of pricing internet-ordered goods and services cheaper than those on the high street. Consumers who may be disadvantaged due to disabilities, age, time constraints and so on are those who use the internet the most to buy. Previously, these people would have found it difficult to buy, but with the internet comes these frequent buyers. Even people who would have normally bought from high street shops would have the option of buying from the internet. Usually, a lot of people go out and buy things to socialise with friends. These people might seek the internet to buy things on their own if they cannot go out with friends.

The cheap method of advertising and selling has allowed the internet to lower the costs of all businesses. As there are no overhead costs, little or no fixed costs and automated responses, businesses can maximise their investment with their increased profits and so compete to a much greater extent in markets. This is also much quicker than normal selling methods – consumers will return if they deem the customer service to be excellent, and the place to start with this is the internet, where information is widely accessible and buying takes up less time. Particular businesses can build up consumer loyalty through the internet alone. Google, for example, had the reputation as one of the best search engines around, and through their ability to initially provide cheap, quick and easy service, the company has forged a part monopoly. They have been able to buy various ideas, such as YouTube, to grow exponentially following the availability of the source of the internet. The argument here is monopolies can exist or thrive further, Google being a prime example, but more often than not, it has helped not hindered markets in competitive terms.

It is relatively straightforward to compare information and prices on the internet now, with price comparison sites available for rivals to easily undercut their competitors. Consumers have the freedom to access information they may have found annoying to pick up in the past. Whereas they were forced to either travel around shops searching for the best value for money or simply buy using brand loyalty, they can now judge prices by the click of a button. With sites such as Ebay, an intermediary buying mechanism which lets people pay the price they want depending on their individual needs (i.e. the price mechanism) and incredible ease of advertising, consumers can search for deals in very little time.

There are next to no barriers to entry on the internet. Anyone has the power to set up a website at little money and time cost. In comparison, constructing a store or warehouse takes hours of time, effort and money in purchasing materials and hiring workers. Regulation on the internet is minimal – it is one of the only places with almost total freedom of movement. The notion of "space" in the real world is very apparent, predominantly in the financial centres of big cities, but the internet has no such problem – entrepreneurs can set up websites without fear of being "squeezed out". International obstructions and hurdles do not exist either because of the internet. The internet has permitted all markets to become inter-related globally, meaning there is even *more* competition than there used to be. Businesses who cannot minimise their costs will be rapidly ousted from the market, a direct indication of the implications of globalisation in recent years.

One quite notable damaging effect of the internet is security risks. Although the internet is a superb medium to freely exchange information, this opens up paths for those who do not play by the rules to steal data, credit card details and disrupt websites. Great care must be taken when buying from proxy sites, and often as there is little regulation and reams of terms and conditions people are reluctant to read (not the case with normal shops), it is relatively simple to fall for scams and not have an organisation such as the government to pick up the pieces subsequently.