The rivalry among competing sellers economics essay

Economics

Professor Michel porter of Harvard Business School has convincingly demonstrated the state of competition in an Industry Is a composite of five competitive forces which are as under. 1)The rivalry among competing sellers. 2)The potential entry of new competitor. 3)Competitive pressures from substitute products. 4)Supplier bargaining power. 5)Seller bargaining power. We have analysis here the five force competition in context with Tourism industry analysis of the five force of competition, are as under relating to Tourism Industry.

The Rivalry among Competing Sellers:-

The strongest of the five competitive forces is usually the jockeying for position and buyer favour that goes on among rival sellers of Tourism Industry. In the tourism industry cross country rivalry is centered on price Competition & promotional scheme. Rivalry among competitors is very high in case of tourism industry Due to the following reason.

Reasons For High Rivalry.

1. Number of competitors increases:

There is increasing competition from developing countries within the Asian region such as to gain a market share of the Tourism India. At the same time well known and Singapore are launching aggressive promotion to attract tourist particularly from Europe.

2. Growing Demand:

In a rapidly expanding tourism market, there tends to be enough business for everybody to grow. Tourism is one of the world's fastest growing industries at present and hold the status of the world's on 1 Industries There is currently can estimated 400 million International travelers world wide. The figure is expected to rise to 660 million by the end of the year 2002. The tourism Industries as a whole is presently estimated to earn over us % 3. 5 million world wide creating a job every 2. 4 second with every one of there direct job creating another indicate ones. Spending on tourism Amounts to 5% - 10% of total consumer spending in a year world wide. Industries share of the total market is a pittance at 0. 5% Neverthless, tourism has the distinction of being the third largest export Industry after gems and jewellery and rady made garments in India.

3 Low Switching cost:

The lower the cost of switching the easier it is for the rival seller to raid another seller, customers. In case of Tourism industry, switching cost is very low. Generally all competitors marketing their respective brand with same price and promotional schemes which makes competition tougher and tougher.

4. Standardize service:

Tourism is base on standardize service generally the process of producing tourism is nearly same. But service differentiation is there so such condition increases the Rivalry among competing sellers.

5. Price cuts and competitive weapons:

As number of competitors Increases all marketer force to reduce their price and have the increase promotional activities. Major players and new entrants marketing their respective brands with low price and doing promotion to increases the usage.

ENTRY BARRIERS:-

1. Huge Investment:

If the company wants to launch at National level them its requires the huge Investment so it is not easy for new companies to come in sector. So the entry is not so easy for new companies. High Amount at capital is required to produce qualitative product. The cost of other Infrastructure facilities is also to be considered by new entrants so, capital requirement is also one of the entry barriers.

2. Economics of Scale:

Economies of sale are the main barriers to entry in tourism Industry bases they force potential competitors either to enter on large scale or to accept cost advantage. If new entrant enters with large scale it may not capture the market in proportion of supply. If new entrant accept cost disadvantage it may not survive in tough competition.

3. Cost and Resource disadvantages:

Existing firms may have cost and resources advantages not available to potential entrants. These advantages can include partnerships with the best and cheapest suppliers of services.

4. Learning and Experience Curve Effects:

When lower unit costs are partly or mostly a results of experience in producing the product and other learning curve benefits new entrants face a potentially significant cost disadvantage competing against existing firms with more accumulated know how.

5. Regulatory Policies:

Government agencies are limit or ever bar entry by requiring licenses and permits stringent government mandate safety regulations and environmental pollution standards are entry barrier because they raise entry costs.

Competitive Pressures From Substitute Products:-

Tourism Industry given entertainment to the tourist and also provide some. Knowledge of that place as per that we can says, media, Hollywood, and all type of entertainment industry are the substitute of the tourism industry. But we can't say that they are close substitute of industry. Because they are different thing than tourism. Thus, tourism industries has no problem for the close substitute because they are not other product or service which is use as substitute of tourism so the tourism industry is being fearless from the substitute.

Supplier Bargaining Power:-

Whether supplier seller relationship represents a strong or weak competitive force depends on whether supplier can exercise sufficient bargaining power to influence the terms and condition of supply and the extent of supplier. Seller collaboration in the tourism industry. Supplier are likewise relegated to a weak bargaining position whenever there are good substitutes for the item they provide and buyers find it neither costly nor difficult to switch their purchases to the suppliers of alternative items. Suppliers also tend to have less leverage to bargaining over price and other terms of sale when the company they are supplying is a major customer.

Seller - Buyer Bargaining Power:-

An industry's customers constantly look for reduced prices, improved product quality and added services and thus can affect competition within an industry. Buyers play individual suppliers against one another in their efforts to obtain these and other concessions. This is certain the case with some large retailers in their dealings with many of their suppliers.

Reasons:

1. Large number of buyers

The numbers of buyers are large so it require mass promotional schemes and consumers are located in different geographic areas having different culture. They may not generate sufficient bargaining power collectively.

2. Importance of the Service:

Tourism is very necessary for its regular customer, it decrease the bargaining power of the buyer.