

Barriers to entry and exit (symbian)



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Market entry and exit constitute major business strategy decisions reflecting a strategic initiative on the part of a firm to develop, or reshape, its product or market positioning. Barriers to entry are obstacles in the way of firms attempting to enter a particular market, which may operate to give established firms particular advantage over investment. They are factors that allow incumbent firms to earn positive economic profits, while making it unprofitable for new comers to enter the industry. Barriers to entry may be structural or strategic. Structural entry barriers result when the incumbent has natural costs or marketing advantages or benefits from favorable regulations. Strategic entry barriers result when the incumbent aggressively deters entry.

The mobile phone industry has been continuously growing rapidly, with the sales of mobile phone hardware increasing more than 20 percent annually. Originally, cellular phones were just that –telephones. Today, with the third generation (3G) technology, mobile phones have evolved to more than just a normal portable, wireless telephone. These gadgets have since gained the title of ‘ Smartphone’.

The capabilities of a smartphone depend on its operating software (OS) or its software and this has captured the attention of the giant in the software manufacturing industry, Microsoft. Since then, Microsoft has been an aggressive second mover after the launch of Symbian by the 4 giants in the mobile phone manufacturing industry in 1998. The Symbian OS is an operating system, specially designed for mobile devices with associated libraries, user interface frameworks and reference implementations of common tools. It was successfully launched in 1998. The Symbian OS, based

in Psion Software's EPOC, is structured to work like any personal computer with a fully customizable user interface and since its launch, it has accounted for more than 60 percent of market share worldwide.

Thus forming a formidable barrier to entry for the software giant, Microsoft.

Forms of Barriers to entry and limitations -Structural oControl of Essential Resources An incumbent is protected from entry if it controls a resource necessary for production and can use that resource more effectively than newcomers. In the formation of Symbian by the major mobile phone manufacturers namely Nokia, Sony Ericsson, Panasonic and Samsung and, the creation of the Symbian OS for ALL data-enable mobile phones, it can be view as them controlling the software inputs to the operation of mobile phones. In that, it sets a high barrier to entry for Microsoft to enter. This is because, these major companies are also the manufacturers of the gadget itself.

Therefore, unless Microsoft negotiates with mobile phone manufacturers outside these few major operators, there is little chance for Microsoft to penetrate the market with its Windows Mobile software. Furthermore, there sets even higher barriers with more than 14 manufacturers at present using Windows Mobile. However, Microsoft has thus taken counter measures and has successfully entered the market nevertheless. This is due to its strong bargaining power.

In that, we see manufacturers like HTC and LG launching mobile phones which carry their latest Windows Mobile 6 (WM6). oEconomies of Scale / Scope Where economies of scale are concerned, having ' merged' in name

under the Symbian project, these companies have gained in both cost advantage and market share for the Symbian Operating System (Symbian OS). This is so as they are able to spread the high Research and Development (R&D) cost of the development of the open, standard operating software which allows flexibility for all users and developers. This is one aspect of the Symbian OS to which attracts most mobile phone manufacturers where Microsoft is unable to provide even with its current WM6. With the coming together of the mobile phone manufacturers would mean that the output of the production of the software would be naturally large scaled.

Thus, this would minimize the cost of producing one copy of the OS, rendering cost advantage to them. In this case, even though Microsoft has been very familiar with what the Symbian OS is trying to offer, giving mobile phones the ability to function like that of a personal computer, including e-mail, web browsing, electronic messaging and digital photography, it would be costly for them to develop their windows mobile software in that direction with the bulk of the mobile phone manufacturing market share in the hands of the companies using the Symbian OS as a base for their products. This phenomena, however, was only seen for a short period of time as Microsoft was both huge in both technological advances and financial capabilities. With WM6, they successfully integrated into the mobile phone market, incorporating touch-screen interface for their operating systems and working with major business phone manufacturers such as HTC and LG. As such, Microsoft hopes that the industry would develop the way they did for the computing industry.

Thus far, we do not really see a shift in that arena, with Symbian having tied up virtually the entire market, and also the '3-3. 5G era' in its infant stage, only time will be witness to whether the cellular market moves in the same direction. Marketing Advantages in incumbency As mentioned above, major mobile phone manufacturers have come together, developing the Symbian OS as a barrier to entry to Microsoft. In that sense, with the major companies holding bulk of the market share, they stand to gain many marketing advantages. Having established in years, these companies have built more than just a reputation, but also a relationship with their users.

Therefore, a small amount of 'advertising' or marketing fees can bring about a major shift in consumer preference, allowing them to maintain their market share. Also, being their own distributor of the software, the companies using the Symbian OS will stand to gain cost savings based on distribution channels as they are incorporating the software into their own product bases. Product innovation Product innovation may be used to buttress the market dominance of established firms. In the case of Symbian, it is clear that the major mobile phone manufacturers are more superior in terms of experience and knowledge of what their customers want and have been continuously evolving to satisfy the ever-changing wants of consumers.

These cumulative investments by established firms in R & D facilities and personnel can provide an on-going pool of internalized skills and expertise which Microsoft will be hard to acquire and imitate. Strategic Limit pricing Limit pricing refers to the practice whereby an incumbent firm discourages entry by charging a low price before entry occurs. This is clearly seen comparing the prices of mobile phones running on the Symbian OS and <https://assignbuster.com/barriers-to-entry-and-exit-symbian/>

those running on WM6. While the functions of both the OS are somewhat similar, mobile phone manufacturers choose to price their products at a much lower price compared to the latter.

oPredatory pricing When a large incumbent sets a low price to drive smaller rivals from the market, this strategy is known as predatory pricing. However, we clearly do not see this happening in the case of Symbian, as Microsoft can be considered to be a formidable entrant into the mobile phone OS market. oCapacity expansion Why is it not a barrier to entry for Microsoft? - Superior Financial and technological background -Symbian given free has lowered the barrier to entry. Making Developer Certificates available free to developers of applications designed for Symbian OS v9. -Internationally, Windows Mobile is still competitive (very competitive) in the enterprise market. If anything, the new Symbian system might hurt BlackBerry more than it hurts Windows Mobile.

Conclusion Firms are normally attracted into a market by the prospects of profitability in the long run and similarly may be encouraged to leave when the market generates insufficient profits for survival. These entry and exit can be constrained by the operations of the various barriers to entry and exit, although in the case of Symbian against Microsoft, there is no significant barriers to exit given the strong financial backing by both organization, depending on the individual firm and market circumstances, may represent minor or major obstacles. Therefore, it would be advisable that firms evaluate the prospects of entry and exit carefully before engaging in any projects or entering any product market.