Analysis using porter's five forces model in marketing

Business, Marketing

On analyzing the case we will seek to look at two relevant barriers to entry; namely, product differentiation and economies of scale. The economy of scale refers to the decline per unit in product cost as the volume of production increases. Levi's could have exploited opportunities to outsource their production facilities where labour is cheaper, in order to mass produce and have a cost advantages. Volumes of jeans have been produced in this market because other labels such as Arizona Jeans have exploited the opportunity.

If they exploit the opportunity it means that they could produce for less and sell at a higher cost to their profitability. The Levi's brand has product differentiation because there is a history of brandloyalty; the product carries enough clout to justify a reasonable price premium. They had embarked on a project to create a niche market to attract higher income customers who were willing to pay a premium for a perfect fit. In this case the threat would be brand loyalty because there are a lot of producers of jeans. Threat of Rivalry Threat of rivalry includes all distributors and stores that sell jeans.

Example of stores is the likes of JC Penny stores who were once a business alliance, they have sought out cheaper alternatives such as the Arizona brand of jeans and have become their competitor; there is also Gap, Lee and Wrangler. Each of these brands has their own market or customer base. With all of these competitors in the market there is likely competitive pricing for the product. Threat of Substitutes There are other forms of clothing that can substitute for jeans example cotton, linen and other forms of material that makes clothing.

In this case though Levi's has created a " personal pair for a perfect fit" this proposal has created the niche market for Levi's through a jeans customization program with their strategic alliance partnerTechnologyCorporation. With this partner they will be able to achieve a competitive advantage. Threat of Suppliers Threat of suppliers all depends on the amount of raw materials. Since Levi's now has a strategic partner, Technology Corporation they are the ones who take the orders and manufactures the customized jeans at their location.

The threat is that they have to rely on another organization to complete the process at a separate location. The benefit though is that this company is a joint venture where each partner has a vested interest in the success of the business thus minimizing risks. However; on the other hand the partner may decide to cheat if they see a more valuable venture for themselves in starting their own line of business. There is also the threat of an increase salary and benefit for employees as well as retention of trained personnel in the area of sales and manufacturing.

Threat of Buyers Threat of buyers relies on the marketing of the brand. If Levi's has a good marketing strategy then customers and suppliers are more likely to purchase their goods. The company has begun to engage in a joint venture with another company therefore once they start receiving orders they will be able to meet the demand to supply stores and retail customers alike. According to the case, the brand Levi is one of the most recognizable brands worldwide since the 1950's. The jeans had established a political and ashion statement as an American icon. Levi's has become synonymous with the term “ authentic,” “ genuine,” and “ original. ” They are the largest brand-apparel company in the world and the number one purveyor of blue jeans. Levi’s has an image of quality and durability. The image of the company is valuable and rare. Perhaps no other firm has been able to duplicate the Levi brand and the firm uses this image to their competitive advantage as not many firms are able to imitate that image.

Despite competetition from low cost rivals who are able to produce more cheaply at overseas facilities, Levi has organized its cost structure and business by using technology and joint venture to their advantage. They have established value creating activities by way of market revitalization and have established acorporate reputation, established links with their suppliers and buyers and invested in high technological equipment and information support systems.