Leadership discussion broad

Business, Management

The U. S. Airline Industry Michael Porter developed the five forces of competitive position analysis model in 1979. The theory stipulates that there are five forces that are responsible for the competitive intensity in a given market. Therefore, through this model, it’s possible to know where power lies in a given field and work towards taking advantage of the competitive advantage posed to edge out other players in the market (Grundy, 2006).

To understand how the model applies in the U. S. airline industry, it’s important to first establish the nature of the services offered by the industry. This industry provides unique services to its clients which include transportation of people and goods from one geographical locality to the other. The model applies in the following way in the industry.

Bargaining Power of Buyers

Two groups of buyers make up the industry. These include the individual buyers and travel agencies. Each airline has its own niche that makes have a number of loyal customers. Whereas some airlines puts their focus on the cost of their flights, others mainly focus on the quality of their services still winning a considerable number of loyal customers. Therefore, it is true to say that the bargaining power of the buyers in this industry does not pose a significant threat.

Bargaining Power of Suppliers

In this industry, the major suppliers are the manufacturers of the airplanes. The planes are very similar considering that the two major airline manufacturers i. e. Boeing and airbus are the ones who deliver the planes. It is extremely hard for the airplane companies to switch their manufacturers due to the limited number of the latter. Therefore, the suppliers are few and their bargaining power has a quite significant threat to the whole industry.

Threat of New Entrants

In the airline industry, consumers always tend to choose the brands or the names that are well established in the market. The existing firms stand out at a better chance over new entrants as they have a large cost advantage. Therefore, since the industry needs a lot of capital to invest in, this stands out as a less significant threat in the market.

Threat of Substitutes

The airline industry in the U. S. has a medium substitute risk level just like any other in the world. There are various substitutes to airline travel. However, the major aspect still remains to be time. Therefore, the threat of substitutes is a significant threat considering that some of the substitutes are far cheaper than air travel.

Rivalry among Existing Players

This is the major threat in the U. S. airline industry and any other industry in the world. Each firm is well established and it has a number of loyal customers who are satisfied with the services that are offered. Therefore, each company will try to have a competitive advantage over the other by offering more lucrative offers and/or services.

Therefore, in conclusion, following the Porter’s Forces Model, the major forces that determine the existence in this market include competition from existing firms and the power of the limited number of suppliers. This makes any firm to make its services better failure to which it will have little competitive advantage and will be pushed out of the market. Necessity plays an important role in this industry as people need air travel for efficiency and time management. According to Hill and Jones (2012), for a firm to be successful, it has to analyze its internal and external operating environment which include the competitive environment to make its services better and therefore enhance its survival (7).

References

Grundy, T. (2006). Rethinking and Reinventing Michael Porter's Five Forces Model, Journal of Strategic Change, 15(5).

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