

Technology in business essay example

[Business](#), [Company](#)



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Porter Five Forces Competitive Analysis

Techcrate is a startup firm that aims to be a market leader in the technology subscription service industry in the long run. Despite the fact that compared to other industries, the technology subscription industry is a new one, one can only be sure that Techcrate would have to go against a long list of tough competitors in order for it to get a decent share of the technology subscription market. In this section of the paper, we gauge the attractiveness or unattractiveness of technology subscription industry where Techcrate is bound to operate based on the level of competition and some aspects of industrial organization (IO) economics, using Porter’s Five Forces Analysis.

Threat of New Entrants

The general consensus when it comes to the threat of new entrants is that the more positive the growth prospect and the higher the upside for growth

is for a particular industry, the larger the wave of new entrants would most likely be. After all, business owners would want to enter in a market or industry where there is a huge potential for growth because that automatically lowers the level of risk that they have to shoulder in putting up a business. Moreover, the promise of operating in a high return business environment would only be too tempting to overcome. In the case of the technology subscription service industry, it is expected to be a high growth industry and so it would only make sense to expect a huge wave of new entrants and a stiffer level of competition (and unfortunately as a result, a lower level of profitability) in the future, especially after the market gets saturated.

Threat of Substitute Products and Services

One important question to answer when it comes to assessing the attractiveness of the technology subscription service industry based on the threat of substitute products and services is whether there are a lot of substitute and alternative products and or services that can take away the profitability from the companies operating in the said industry. Techcrate, through its unique product subscription service, sells technology gadget accessories such as phone and tablet computer cases, camera lenses, and even clothes and apparels to its customers. Now, the biggest movements in the technology gadget accessories industry have already taken place and a lot of bigger companies have already positioned themselves well in terms of competition and profitability wise. This means that within the context of the threat of substitute products and services, the technology subscription service industry does not look very attractive for Techcrate. There are a lot

of cheaper technology product accessories being manufactured cheaply in countries like China. What is more important to know are that majority of those cheaper products are exported to the market segments that Techcrate is planning to target.

Bargaining Power of Customers or Buyers

The bargaining power of customers in the technology subscription service industry is particularly high because of the following factors: high level of competition (as evidenced by the fact that there are already a lot of brick and mortar based stores that sell the same kind of products that Techcrate does). What makes the situation more problematic for Techcrate is that the brick and mortar based stores are more cost effective; meaning, they have a lower breakeven price and can therefore offer their products at a much cheaper price to customers. Techcrate on the other hand have to keep track of other costs such as shipping expenses, travel expenses of its crews, in its financial management.

Bargaining Power of Suppliers

The bargaining power of suppliers in this case works in favor of Techcrate because there are a lot of potential suppliers that Techcrate can choose from, both domestically and internationally. The quality of the products and the distribution channel being offered by most suppliers in the technology subscription service industry are almost the same, although Techcrate can definitely benefit from a thoroughly checked product lineup and tested distribution channel stability and reliability-wise.

Intensity of Competitive Rivalry

The technology subscription service industry is a relatively new industry and so currently, there are not a lot of players that may pose as a threat to Techcrate's growth as a technology subscription service company. However, as other companies realize the potential of this new industry, more and more companies would set up shop and start to drive up the level of competition, which would of course go against the interests of Techcrate.

Monetary Breakdown

Target Market and Cost Strategy

The target market for Techcrate's products and services would be the mass market. This was chosen in order for the potential profits to be maximized.

Different types of information will be handled by the company's servers such as buyer information and location, identity, types of products preferred, and the actual profit per customer transaction. To cover that purpose, a management information system will be acquired.

The company plans to invest a total of 4% or roughly \$40, 000 to acquire a state of the art MIS. The cost strategy that will be implemented, at least for the first two to three years of operations would be a low cost high value strategy. This is largely because the aim for Techcrate would be for it to have a stable market base first before it can increase its product and service prices. This is, in fact, a common practice among startups and its effectiveness has already been proven.