Analysis of the madras rubber factory

Porters five forces analysis is the model framework of industry analysis. This analysis is helps to find the position of particular company by its market rivalry and major four threats like its bargaining power of supplier, bargaining power of buyer, threats of substitutes, and threat of new entrants.

With the help of porters five forces analysis, the MRF Company is going to be analyzed below.

Rivalry of MRF:

The competitive rivalry is the force helps to define the competition between the existing players in the same industry and show its effects.

Indian tyre industry like MRF has the higher rivalry today due to the increase in tyre companies like APOLLO, CEAT, JK TYRES, etc. And as well as the same time the participation of foreign players has expanding their standards in Indian tyre industry. MRF has the greater rivalry by accounting more than 80% of market share by competing with the top 8 companies. And nowadays every company is intending to keep the automated technologies by implementing the new technology like electronic resource planning (ERP) and supply chain management (SCM).

Apart from the reason given above the firms has the higher rivalry by the rise of input cost, is due to the competitive pressure at present. And taking in to the consideration of OEM (i. e.) Original Equipment Management, due to the low OEM the manufacture of vehicle are not ready to take the troubles of tyre firms and the replacement process is taking away continuously by the retreading sector which is slow by slow rising his head. Apart from the branded competitors the unrecognized sector has been the head ache to the MRF Company. The point to be considered is MRF and the existing players in same industry have the similar strategies, and obviously manufacture the same products so MRF duty to show the same product in different way with some innovative ideas, So MRF has to keep his way towards the innovating side like radials, tubeless tyres.

Bargaining power of supplier:

Supplier's role is major and important in production of goods and services for the final product. The competition between the suppliers is high and its effect the intensity of bargaining power of suppliers.

Bargaining power of suppliers can be divided into different parts with demand to the industry like rubber and other petrochemical based material e. g. Carbon black and nylon cord etc. The MRF has the low level of supplier and as well as the availability of materials is very low and its leads to the higher price. MRF has the high level of switching cost and the threat of forward integration is also is very high. The 50 percentage of the tyre industry consumes nearly rubber has been produced in our country. Rubber control board has the right to control the price of the natural rubber. Supplier power is high in the case of petro raw materials and the chemicals are shorting and limping back in India so that generates the cost of price. JMK international is one of the raw material suppliers of allied rubber products and as well as distributors to India and other foreign countries. JMK international is the preferred suppliers to MRF manufacture of tyres and tubes.

Bargaining power of buyer:

The bargaining power of buyer to MRF is very high due to the higher bargaining power of OEM and the brand choice is widely spread in the replacement market. The buyers of MRF is fully concentrated on the market share, MRF has significant increase in market share. To buyers perspective MRF is one of the standardized product, and MRF brand name is widely spread in all over the world.

OEM- Original Equipment Manufacturer :

The OEM is very high and it leads to the strong position in MRF and as well as strong for the bargaining of buyers concerned. The secret at the back is many of the tyre manufacturers are relative and having the contract like keeping tyre price remains stable and for this market price of OEM is irrespective. MRF giving the certain benefits as they are goods has been buying in bulk and its giving him the good relation and as the tyre firm they said the brand association.

Replacement:

The thing which is in replacement segment is quite different as the reversed segment of replacement power of bargaining is used and that is moderated that the buyers are . The company MRF has the standardized product. The bargaining power of MRF is very high because they are the huge suppliers and manufacturers of tyres, tubes and conveyor belts. MRF has also introduced the material recovery facility. MRF enforced to manufactured more amounts of tyres, tubes, and conveyor belts and place their brand name and logo in the product. MRF and its competitor like CEAT, APOLLO, Bridgestone etc are implementing their terms and conditions to the buyers.

Threat of substitutes:

The threat of substitutes is nothing but the competition among the same product among the different companies. The threat of substitutes in MRF concern it is very low but it is in increasing side. For MRF in market lots of substitutes in that how the MRF is differentiated from other product like improving his standards by introducing the new products. Like other substitutes MRF doesn’t have any threat because has his own brand name and keeping his loyalty to the customer. MRF has the good customer relationship and MRF has the low switching to the customer. The other threat of substitutes is alternative product with low price and with better performance means MRF has to face some problem with the buyer. And at the same time lots of radials are been importing from china and it is one of the major threat to the MRF. MRF has also facing the threats like the retreading sector and other non-branded product. And as of this major threat concern MRF has to keep his low production cost. Because of the substitutes product MRF can ready to follow the current trends.

The other threat of substitutes is quality in that MRF is manufacturing the better quality product comparing to other substitutes. By comparing of other substitute product buyers is willing to purchase the MRF product.

Threat of new entrants:

The threat of new entering company can create the competition to MRF. Customer switching cost is important to the new entrants. The main term of demand, the company like MRF is depended on the types of product and market. The types of the products are the types of tyres what they produce comparatively with other companies and the market. On the basis of these two types mainly the competitors of MRF tyres are JK tyres, Apollo tyres and CEAT tyres. The main threat for new entrants is entry barriers, the entry barriers is very high in the tyre industry. And as well the main four threats in new entrants of tyre industry is,

Capital intensive

Distribution network

Low operating margin

Branding

Capital intensive:

Before entering into the tyre industry the company should have more amount of capital because the capital intensive is very high in the tyre industry. For example the annual capacity of 1. 5 million of cross-ply tyres should be the plant size and the cost of tyres between four thousand million to five thousand million. Similarly the production of radial tyres cost is eight thousand million. MRF has no problem with threat of the new entrants of the company because MRF has the brand name as the newly entered company take some time and it will create the competition. Tax usage is also high in the tyre industry. Tyre industry is mainly an capital intensive and also it is highly raw material intensive.

Distribution network:

Distribution network is one of the important networks in all industry. In India MRF have more than 2, 500 outlets of distribution network. MRF have offices in many countries like U. A. E, Vietnam and Bangladesh. And exporting his product over seventy five countries in world wide. Distribution network is one of the major threats for new entrants.

Low operating margins:

The threat of new entrants has the low operating margin because the tyre industry is now facing the turbulent times and has the lot of challenging decades like increase in price of natural rubber because it is key part of tyre industry. For MRF rising in input prices may cut the margins.

Branding:

Branding is one of the main threats of new entrants. Like MRF and other substitute’s product has the good brand name like MRF limited, CEAT tyres, JK tyres, etc. The new entrants company should have the good brand name by reaching to the customers. Branding also need the good quality, low production cost and innovation in tyre industry then only the new entrants can compete with their substitutes. Advertising is the major part in branding the product to the buyers.