

# [The competition in terms of porters five forces marketing essay](https://assignbuster.com/the-competition-in-terms-of-porters-five-forces-marketing-essay/)

## Introduction

If We look back to the last century, the main competitors in the camera and film industry are Canon, Ricoh, Konica. However, as early as the year 1969 when the CCD was invented in Bell Labs (Brumfiel, 2008), the whole camera industry are doomed to have an earth-shaking change. In 1995, Kodak annouced the first digital camera to mass camera consumers, which marked the start of a new competition pattern within the camera industry. Nowadays, after ten years of changes and competitions, some old and famous optical manufacturers survived while some of them are overshadowed by rookies. In this essay, the author will focus on the camera and film industry and demonstrate how the digital camera, as a disruptive technological innovation, altered the terms of competition within the industry. The first part of this essay will illustrate the changes of the competition by analyzing the environment of camera industry in terms of potter’s Five Forces Analysis. The second part of this essay would discuss the competition changes in a more general and untheoretical way.

## 1. The changes of the competition in terms of Porter’s Five Forces Analysis

The analysis of the whole camera and film industry based on Porter’s Five Forces would theoretically demonstrate how the technological invention of digital camera influenced the terms of competition within the industry.

Competitive Rivalries

In the film camera age, the main competitors in the camera industry are Kodak, Fujifilm, Konica and Minolta and the brand value in this industry is very important. However, the invention of digital camera changed the pattern of competition throughly. As far as 2009, There are more than 20 big firms competing in the digital camera market, with the top three being Canon (31. 02% of the market), Sony (22. 95%), and Nikon (12. 95%) (Polaroid, 2009). Radical competitions are mainly handled by those big digital firms while smaller firms which, most if not all, have to be innovation followers, seeing their market share plummet greatly. One reason, besides strong financial and human resource support, is that big companies are more good at combining their other complementary technologies with core know-hows in the digital camera production process. For example, canon, which is also one of the biggest printer manufacturers, bundled its printer and camera together in order to gain more market share by leveraging technology which is already existed. This, no wonder, would put more pressure on other firms which are trying to get a space in this dynamic market. What’s more, nowadays, brand name is no longer as important as it used to be in the film camera age. Consumers are more concerned with product quality, screen definition, camera pixel and price rather than brands. However, in some extent, brand loyalty still works expecially in high-end camera market such as the market of Single-Lens Reflex (SLR) digital camera because most of consumers in this market area are professional photographers who are more care about brands and products’ stability than mass buyers (Troy, 2009, P124).

All in all, the competition in the digital camera market is much more intense and cut-throat than it was in the old film camera market; And competitors have to pay much more attention on environment buffering and R&D.

1. 2 Barriers to Entry

Although in 2005, Samsung collaborated with Pentax and entered into DC market (The Electronic Times, 2006) and in 2006, Panasonic annouced its entrance by releasing its first DSLR camera in conjunction with Olympus (The Electronic Times, 2006), the barriers to entry is much higher than before and brand name is not as important as it used to be. There are two main reasons.

The first reason is the technological innovation. As the competition on high-tech is more and more radical, new entrants have to have relative advantages on high technology and innovations. However, most of the new entrants don’t have enough money and human resources to develop specific high-tech to attract consumers while big camera companies which already entered the market are more innovative and are better at designing sophisticated camera models.

Another major barrier to entry is that newcomers would not have strong relations with buyers and suppliers. Besides this, they may not have efficient manufacturing processes to maintain low cost. Since lower price than competitors is very important in competitions in digital camera market, if the newcomers don’t have economies of scale to produce and distribute products, how can they win the game? What’s more, if newcomers do not have a good relationship with distributors, these distributors would not have incentive to carry the new brand digital cameras unless ” they represent a tremendous technological upgrade” (Fried, 2007).

Buyers

The buyers of digital camera can be split into two main categories: digital camera retailers and individual comsumers. Generally speaking, both kinds of consumers have much more bargaining power nowadays in the digital camera market than they did in the film camera market.

As to large DC retailers, large volume purchase and low switching costs from one camera to another enable them to have very strong power to negotiate with manufacturers on price issues. However, “ consumer demand for the most advanced and best-priced cameras mandated that large retail buyers carry selected brands. Small independent buyers could be expected to have less leverage with global con­sumer electronics firms specializing in digital camera production and sales” (Fried, 2007).

As to individual consumers, “ the three most important criteria for purchasing a digital camera are resolution, ease of use, and price” (Jujjavarapu, 2006). One example is young generation, most of them tend to purchase digital cameras which are under $100 and cameras with different colour choices and special outlooks tend to be more attractive (Jujjavarapu, 2006). Since, different from the film camera consumers, such kind of consumers do not care much about the brand and have wide choices on DC market, they have tremendous bargaining power which pushes sellers to reduce their product price. In contrast, professional photographers do not purchase consumer cameras but instead purchase digital Single-Lens Reflex (DSLR) cameras. The most important criteria for them to purchase DSLR is quality but not price (Jujjavarapu, 2006).

Suppliers

Suppliers of DC industry include memory producers, lens producers and the producers of circuit boards and processors. Different from suppliers in film camera industry, the bargaining power of suppliers in digital camera industry tends to be weaker for the reason that there are too many of them so that, facing radical competition, they are more concerned with losing market share rather than with maximizing profits (Bogdan, 2007). What’s more, some of the suppliers would go out of business because DC manufacturers would phurchase accessories from other companies which can offer cheaper price. Besides this, nowadays, many DC manufacturers tend to produce some accessories in house. This would also put more pressure on suppliers and would force them to cut their price.

Substitutes

In the film camera age, the numbers of substitute of film camera is almost zero and the camera market is shared by few gaint film camera companies without worrying about the competitors coming from other relavant business sectors. However, after CCD was invented, two main kinds of substitutes for digital cameras appeared, which are film camera and mobile phone camera.

As to film camera, Douglas (Jujjavarapu, 2006) pointed out that, in fact, “ the film camera industry has seen a steady decline in sales since 1998,” and “ out of the 25 million cameras sold in 2005, only 4. 3 million were film-based.” Besides this, in 2006, “ film cameras sold only around 3 million units out of a market of 24 million” (Jujjavarapu, 2006). This shows that film camera market is shrinking largely. Nowadays, the main consumer of film cameras are professional photographers, technophobes and even sentimentalists (Lyman, 2003). However, those consumers remains few percentage and more and more them would give up film camera and go for DCs finially because DCs’ price, as predicted, would be lower than the current price in the future (Bellis, 2010). What’s more, “ Technological advances like the digital single-lens reflex (SLR) camera have enabled professional photographers to achieve the same depth and detail from digital cameras that had hitherto made them stubbornly stick to film” (Bellis, 2010).

Unlike the film camera, the cell-phone camera market is emerging and would have a big threat to stand-alone DCs. Jujjavarapu (2006) illustrates that “ ever since their introduction in 2000, camera phones have managed to penetrate over 20 percent of the 115 million American households. In 2005, sales of camera phones in the USA rose to more than 53 million from 22 million in 2004. This far outstrips digital camera sales, which sold only 20. 5 million units.” Besides this, the key problem of cell-phone cameras, which are relatively low-resolution, is being addressed now. As for the low storage capacity and lack of flash light, they are not problems to cell-phone cameras anymore. This means, although professional photographers would stick to high-end DSLRs, many mass-market consumers would choose to phurchase a cell-phone camera which is use-friendly (can be used as a phone as well as a camera) and more portable.

## 2. The alteration of competition within camera and film industry in general

2. 1 The alteration of companies’ competitive advantages

The invention of digital camera leads to the changes of companies’ competitive avantages. Before the invention of digital camera, the success of a company in the competition is mainly determined by the R&D in the optical, mechanical and electronic areas (Bellis, 2010) and customers more focus on the product’s relability and stability when they purchase film cameras (Bellis, 2010). Besides this, the image of the photograph mainly depends on the brand of film while the camera itself would not affect the image a lot (Bogdan, 2007). However, in the digital age, the digital camera became a high-tech product which combines optics, mechnics, electronics and digitalchip so that the competition within the industry changed to the competition of companies’ comprehensive strength. Meanwhile, because the size of the camera is no longer limited by the film’s volume, digital cameras are made more portable and exquisite so that the look of cameras begins to become one of the elements that can affect consumers’ purchasing choices. Those changes of competition in camera industry make some camera companies lost their advantages while the other newcomers begin to become industry leaders. One example is the film giant Kodak. This company has a long history of producing films and occupies advanced optical technology while lacks creativity in camers’s outlook design as well as attractive marketing strategy. Nowadays, Kodak is losing its brand value while newcomers such as Sony and Samsung, which are more dynamic and creative, cherish absolute competitive advantages. Another good example is Contax, which is a top optical brand in Germany. This brand remains rigorous and classical which are unique to German cameras and its camera prices are very high because of the titanium metal, leather wrap or Zeiss lens on its camera. However, since the industry entered the digital age, the brand value and the brand history are not as important as it used to be in the age of film cameras because, compared to the mechanical film camera industry, the digital camera industry which has been developed for around 10 years is still in its infancy. What’s more, as more and more companies entered the digital camera market, the price became one of the main factors which can decide customers’ purchasing choices and people do not accept to position it as a luxury product (Bogdan, 2007). So from the beginning, Contax’s wrong decision on competitive advantage positioning means its failure.

2. 2 Coorperation, acquistion and merger

The invention of digital cameras leads to new cooperation, acquistion and mergers between companies within this industry. For example, Sony cooperates with the German giant Carl Zeiss considering its big deficiency in the optical aspect (Silicon Image, 2008). From a practical effect, the cooperation between Sony and Zeiss is successful. In 2006, Sony began to attack the field of professional SLR and introduced the first SLR Î±100 relying on the existing technology acquired from Konica Minolta SLR in 2004. Besides this, it launched several very powerful lenses by cooperating with Zeiss (Mintel Reports, 2006).

Compared to Sony, Panasonic is more professional in the white goods area, such as air conditioners, washing machines and refrigerators. While in digital camera area, Panasonic faces more problems and has to start the business in this area from scratch because, compared to Sony’s advantage in CCD, Panasonic has no core technology in hands. This is why Panasonic chose to cooperate with Leica and take it as its lens supplier. Relying on Leica, Panasonic attracted a lot of customers and is the first company which applied the optical image stabilization technology to digital camera (Silicon Image, 2008).

In order to strengthen competitive advantages, in 2003 Konica and Minolta annouced the news of their merger. However, the combination did not change Konica Minolta’s fate of failure. In 2006, because of “ the failure of promotion and market management” (Mintel Reports, 2006)¼ŒKonica Minolta released the news that it would withdraw from the digital camera market and its customer service platform of camera business would be assigned to Sony.

Different from Konica Minolta, Kodak has not disappeared. However, as a creator of digital camera, Kodak does not transfer its core technology into wealth. In 2006, Kodak declared that it will let Flextronics in Singapore to take over the business of digital camera production, design and development.

## Conclusion

To sum up, digital camera, as a radical innovation, altered the terms of competiton in the camera industry throughly. In the digital age, the competition in the DC market is much more intense and consumers have much more bargaining power nowadays than they did in the film camera age. What’s more, different from the film camera, two main kinds of substitutes for digital cameras appeared and the bargaining power of suppliers in digital camera industry tends to be weaker. Meanwhile, the barriers to entry this industy is much higher than before and brand name is not as important as it used to be. Besides this, the company’s competitive advantages changed because of the invention of digital camera and new cooperation, acquistion and merger appeared in this industry.