

2a: group discussion



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Threat of entry Economies of scale The players in the card industry are utilizing economies of scale in their production of cards. Because of the huge number of cards these players, in turn, sell to retailers, the costs of production is spread out on these huge numbers. The huge number of cards makes the use in their facilities more efficient.

Absolute cost advantage

Incumbents in the card industry do not face an absolute cost advantage, which makes it a bit favorable to the new entrant since the raw materials that the incumbents use are not exclusive to producing cards. Thus, the materials that incumbents use are accessible and available to a new entrant too.

Capital requirements

In order to make efficiency possible in an operation of a player, investment in machineries and other capital requirements are necessary. This is to spread costs among the huge number of the cards that are sold through retailers. Therefore, as investment in machineries is necessary, there is a huge capital requirement before an entrant can conduct its business and become a player in the card industry.

However, as the card industry broadens from the traditional cards, to include electronic cards that are sold in the internet, capital requirements is relatively low for an entrant to enter this niche in the market, as the internet provides lower cost in conducting one's operations.

Product differentiation

The products in the market are not highly differentiated in terms of a distinctive product feature or benefit. The main differentiation factors among the products are the themes and designs. Although licensing of product

designs from various artists are used by some of the incumbents to differentiate their products

Switching costs

Switching costs for a consumer is relatively low in the card industry. Since a greeting card is not a high-risk product in terms of financial and social risks, the relative costs to switch is low. And since other card players offer vast array of products that can serve as alternative, it is relatively easy for consumers to switch.

Access to distribution

The current players in the card industry have wide access to distribution channels, which comprises of a wide network of retailers comprised of grocery stores, supermarkets, and other specialty stores. A new entrant must compete with shelves that are provided by these retailers to incumbents' products in order for it to penetrate the market.

Government policy

There is no government policy that directly regulates the card industry which creates a barrier to entry. The most pertinent government policy perhaps that is most applicable to the industry is the regulations for patented designs and licenses in terms of themes and layouts for the product.

Conclusion

In order for a new entrant to penetrate the market, it has to compete with these incumbents in terms of offering competitive margins to a wide network of retailers, which these incumbents can afford because of their operating efficiency. Because these incumbents produce cards in huge numbers, they can spread their costs and utilize their facilities efficiently. Because the huge number requires technology and investment in machineries to ensure

efficiency, capital requirement is an issue for an entrant.

To produce a card does not entail a different process or raw material which in turn creates an absolute cost advantage to incumbents. This lack of absolute cost advantage makes the raw materials available to new entrant, as it is not entirely a barrier to entry. As there is no pertinent government policy that serves as a barrier to entry, products in the market are not greatly differentiated too according to unique features or benefits.

With these, we can conclude that barriers to entry in a card industry are moderate to high, which makes it for a new entrant difficult, but possible if it becomes more competitive in serving the market through innovation.

Because of the transformation in the industry brought by information technology, new niches are formed which can be penetrated by new entrants at first, before going into the production of hard-copies of cards that are distributed. The internet also poses a threat in terms of creating new innovative ways to distribute greeting cards if a new entrant could not penetrate the market through the wide network of retailers that incumbents currently utilize for distribution.