

Porter analysis of kellogs

Business



Barriers on an industry always have a major effect for new and upcoming business.

In the food industry the pile of Governmental red tape is long and ugly. Almost any service that has anything to do with serving the general public with food has to meet set standards by the food and drug administration and health departments and U. S. Department of Agriculture. Furthermore, the regulations and inspections on the State and Local levels a food company must comply with.

The food industry is a tough industry to enter, not only because of the strict regulations, but also, the amount of competition. In addition, a new company must be able to withstand the pressure of price cutting by their larger competitors driving out competition. In some cases large companies have sold goods for below their costs to deter competition. One important factor to take into consideration in the food industry is the larger companies have been in business for years. The amount of time it takes to establish a large company in the food industry is long and drawn out. Supplier power is a major factor to the food industry.

When there are a limited amount of suppliers the prices are driven up. On the other hand, when the suppliers are easy to come by the price tends to decrease due to the competition to beat competitor's prices in a market. For example, in the beef industry right now the prices for cattle are high. We are looking at a shortage and cattle numbers are the lowest that they have ever been raising the price to balance out demand and consumption. Supplier

power also has to be measured on the account of where is your product coming from the U. S.

or overseas. Domestic or foreign trade can also play a major role on supplier power. Here in the United State and all over the world we see when Supplier power is strong and when it's weak. One example that happened recently was when there was a short supply of strawberries and oranges. The price of strawberries and oranges went through the roof because the supplies were not able to meet demand and manipulated prices to their favor. However, we have noticed now days most companies are not suffering from the price increases.

They are just passing the additional expenses on to the consumers.

Substitutions are a major threat in the food industry. It's safe to say that there are a very limited amount of food products out there that have not been substituted by a competitive company with a cheaper brand. The food industry is an industry that will always be heavily burdened by this threat. Furthermore, there is not a lot of protection available to prevent substitutions, and if there were I don't know if prosperous America would be America today. Although, substitutions are a threat to an industry they do however keep it honest and not to overbearing on the consumer.

For and the food industry to limit the amount of substitutions in the future they must create an attractive, cheap and tasteful product that keeps people coming back for more.