

Provide an example of one of the forces in porter's five forces model - the threa...



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Porter's Five Forces Model - The threat of the entry of new competitors

Micheal Porter's Five Forces model is very important for investor and entrepreneurs as it helps in doing detailed industry analysis. In this five forces model, threat of new competitors basically means threat of new entrants in any industry or market. It is the possibility that how easily new firms or companies can enter an industry. If we look at the airline industry today we would see how it has progressed over the years. Just with a few dominant players, the industry is doing quite well. Boeing and Airbus are dominant players in the aerospace industry. American Boeing has 70% of the worldwide market share and is a prime manufacturer of engines and aircrafts. Remaining 30% is shared by Airbus. Boeing has established its market and brand name over the years and cannot be threatened by new entrants or competitors that easily. We can analyze that because of the high capital and technology requirement of the business, the entry barriers are quite high. The high entry barriers show that the threat of new entrants and thus for any competitors for Boeing is quite low. Any company to enter the industry and to compete with Boeing has to be financially stronger than Boeing. It has to bring in with it new and highly advanced technology to give fierce competition to the existing and established company. The initial investment or the startup cost in the airline industry is very high. An 800-seat plane that Boeing manufactures requires an investment of more than \$10 billion. Competitors require huge costs and budget for research and development and production of the differentiated and unique product that Boeing produces. The threat of new competitors for Boeing is quite low it is because barriers of the knowledge and expertise required for the business as well. Along with the highly advanced technology, highly skilled and expert

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technocrats are also required for the manufacturing and production therefore barriers to enter the airline industry are high. Brand recognition also takes a lifetime as people would never want to risk their lives by going on newly developed planes or aircrafts. Boeing has done it quite well. It has been decades and people have started trusting Boeing for its good quality production. Threat of new competitors for Boeing is low because it is also very important for new companies to advertise and establish their brand name. Especially for an industry like this, companies are required to get the patents, rights and licenses to run such a business. It takes years for companies to settle down in such business. Manufacturing and production of undifferentiated and unique products like aircrafts and planes is not an easy job. Each part of an aero plane that is from its body to its engine and then also its interior requires highly advanced technology and machinery for production that primarily requires huge amount of capital. And then a great amount of capital is required for the maintenance of the production and also to meet the changing requirement of the product as well as industry over time. As a result we can easily say that the threat of competitors for Boeing is very low. References: Japan's aerospace industry. (n. d.). Part 1. Structural Analysis of Global Aerospace Industry, Retrieved from <http://wgordon.web.wesleyan.edu/papers/aerosp1.htm>