Industry life cycle model

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INDUSTRY LIFE CYCLE MODEL of the School: The industry life cycle model is a continuous cyclethat every industry goes through in its life. It involves evolving of an industry over time right from its establishment to its full development. An industry evolves in terms of structures, sales, and overall returns. The environment in which the industry grows, also changes as the industry changes. The strategy of the business should be such that it is able to adapt to the changes in the environment. To understand evolution of an industry, we need to consider the life cycle of an industry with regard to Porter's 5 forces. I am going to consider the life cycle of Harley-Davison motor cycle company. The first stage of an industry is development. In this initial stage the number of competitors is very low since the industry is new, and therefore there is little or no threat from substitutes. Harley- Davison Company was established in 1903 in the United States when motor cycle industry was still so young. However, seven years later there were about 150 motor cycle producing companies but still it managed to get the largest share in the industry's market The next stage in the life cycle of an industry is growth. At this stage the industry is still young but there is notable growth. Competition increases due to the number of companies in the field and this happens at a very high rate. Since the power of buyers at this stage is very low, due to the fact that demand is much higher than supply, the rivalry among competitors is kept in check. Harley-Davison had more than 150 competitors in the market but still managed to make large amounts of profit. This profit is usually used in growth strategies such as opening new branches. H-D Company was able to command market in the USA and even export to European and Asian countries. A lot of risks are involved as companies try to fight for positions in the market share. In the previous stage of the life cycle of an industry the rate of growth increases at an increasing rate up to a point where the rate begins to decline. This stage is known as the shakeout phase. At this stage the industry experiences its first challenges; there are new entrant is the industry which creates a battle ground in the fight for market share. The new entrants, in a bid to attract customers, come with new prices and improved products. The existing companies find it hard to cope with the new conditions. Harley- Davison Company collapsed at this stage although it was later revived. The market it initially commanded was taken over by another company, Honda, from Japan. This phase focuses mostly on specific companies rather than the entire industry. Customers now have the freedom to choose the products they want since there is a wide range to choose from depending on the specifications they want. Weak competitors at this phase are shaken out. After an industry has fully grown, the next stage is maturity. This is the stage where an industry is fully defined after surviving the shakeout phase. At this stage the industry can now match the buyers' needs. The purchasing capacity of the buyers now even exceeds demand. Conversely, the power of suppliers decline because of the amount of supply from the suppliers. It is very important for companies to be aware of the threat of substitutes. H-D Company at its maturity stage it started the production of heavyweight motorbikes. The company was fully settled and was trying out expansions even in other countries. Europe was identified as the best place for establishment of market. In order to compete with other companies in the market share Harley Davison has improved the models of the bikes though it has been left behind in new technology by other companies in the industry. The brand is among the most respected brands in the world of motorcycles today. It is mostly known for its super heavyweight motorcycles. The last stage of an industry is the decline phase. Most of companies' strategic plans are to reduce decline in the final stage of an industry's life cycle. At this stage, there is a new set of challenges different from those faced in the shakeout phase. The power of buyers is much increased and this leads to withdrawal of the weakest competitors in the industry, and hence rivalry reduces once again. Due to the strength of challenges companies seek for government intervention. H-D sought for government intervention in trying to keep it running an avoid a second collapse. There is need for proper management of companies at this risky stage to avoid collapsing. H-D Company after reaching this stage started diversifying. It introduced new products in the market under the same brand image. It also partnered with other companies such as Giftware and Nice Man merchandising in distribution of its cloth wear products. With a proper understanding of this model, company managers are able to keep their companies running and still making profit for long periods of time. Maintaining a good brand image is another area that managers and the entire managerial department should focus on. References Joel A. C. Baum, A. M. (2004). Business Strategy Over the Industry Lifecycle. Amarerdam: Elsevier JAI.