Skywest porters 5 competitive forces and financial analysis case study

Business, Company

Michael Porter developed the developed the five force parameter to determine the factors threat influence the performance of a company within an industry. The forces will be applicable to SkyWest Airlines by considering both the internal and external factors affecting its performances in the airlines industry. This study will also consider some financial aspects of the company, which influences its performance.

Threats of new entrants and barriers of entry

The airline industry is versatile and does not promote any monopoly. This predisposes a company like SkyWest Airlines to intense rivalry because the company that enters the industry may have access to better inputs compared to it. In this regard, it justifies the existence of other companies within the industry like American Eagle. However, the company possesses a number of factors that enable it to sustain it competitiveness. These include possession of economies of scale, access to distribution, and capital requirements. Apparently, any market should be favorable to the existing companies and for others to enter. In the case where a there are limited barriers to entry, it is possible that the profits for the SkyWest airlines will drop. It therefore, requires the company to strategize on how to mitigate itself in the event that other players enter the industry (Lohman 400).

Threat of substitute products or services

The existence of other players in the airline industry avails an opportune substitute for customers. This will obviously affect the performance of the company in the sense that it profitability and number of customers will drop. As provided in the case, the company performed extremely well compared to

American Eagle partly because it offered better and alternative services. Some of the services to the business travelers appeared more profitable because they even accommodated their short-notice travel. This would therefore, encourage them to purchase premium services and tended to travel more often. For the leisure travelers, the company accommodated their needs when they appeared to travel less. The improvement of the company to the 10th place down from 20 is a clear indication that if offered better travel services as better substitutes compared to the other players in the market.

Buyer power

This parameter describes the capability of customers to utilize the services offered by the company. It is apparently clear that the company operates in an affluent customer base, the American market. This plays a critical role in ensuring that the customers it serves can access the somewhat expensive prices. The American market is also voluminous and they have adequate information regarding the merits of using the company. Further to this, the buyer power is strengthened by the fact that SkyWest Airlines is associated with the famous brand. This is the American South Airlines and creates a strong-brand identity that customers would like to be associated with. The acquisition of the Delta Airlines in 2005 enhanced the buyer power by ensuring that they are associated with significant and reputable brands (Lohman 400).

Supplier power

The cost of labor, raw materials, and existence of other suppliers in the industry can determine the profitability of a company. In this regard, the performance of SkyWest Airlines is affected by the relationship it has with various partners that ensures it offers it services amicably. The company has been able to differentiate its products and inputs with the help of its suppliers who are mostly American-based. The company also has the direct access to its employees from the American market. This ensures that it is assured of a constant workforce thus gaining an upper hand over its rivals. The acquisition of Delta Airlines also provided a ready supply of labor hence enhancing its capability to operate competitively in the industry (Lohman 400).

The intensity of competitive rivalry

The intensity of rivalry in the industry is somewhat the sole determinant factor in how the company performs. It is apparently clear from the case that there is intense rivalry. This is characterized by the versatility in entry of players like American Eagle. It is also important to point out that rivalry is observed when it tried to acquire the Delta Airlines and it brewed some legal battle. This shows how extensive the rivalry can be in the airlines industry. A number of factors including product and service differences, corporate stakes, industry growth and expansion, and intermittent overcapacity may cause rivalry. The company can therefore, sustain its profitability by focusing on development of exclusive and satisfactory services and products that are more appealing to its customers (Lohman 400).

Financial analysis

The case presents SkyWest Airlines a strong company having whether some financial problems despite the success it enjoyed in 2009. This particularly occurred in 2007/08 global recession. This was characterized by losses and bankruptcies among the major players in the industry and it could therefore, not be an exception. The worst experience of its financial woes occurred when its partner, Delta airlines rescinded from paying some expenses resulting from their contractual partnership. The possibility of suing the company for the $25 million would obviously thwart their financial future of trying to create for itself an ambient environment for business. Worse still, it could not collaborate with Mid-West Airlines hence; it could not expand its financial and business empire (Lohman 400.

Work cited

Lohman, A. (2010). SkyWest, Inc., and the Regional Airline Industry in 2009.

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