Porter

Business, Marketing

Michael five forces model Rivalry among competing Firms: this is usually the most powerful of the five competitive forces. The strategies pursued by one firm can be successful only to the extent that they provide competitive advantage over the strategies of other firms (Grobler 2009) ? Due to China's incredibly high FDI rate, more and more companies are investing into Chinese businesses and strengthening them in both their domestic markets and also on the global front.

With the ever increasing growth of their domestic markets it will only be a short while before they become the dominant market leader, if in this p of 30 years they could rise from nothing to 4th largest in the world then it shows what impact they really had and still have on the global economy. Potential entry of new competitors: whenever new firms can easily enter a particular industry, the intensity of competitiveness among firm's increases. ? When new firms become strengthened through investments, they become direct competitors of the leaders in that industry. . g. A new Chinese innovation in the television industry grows rapidly, they will be direct competitors against any television firms based in China, for example LG and Sony Bargaining power of consumers: when consumers are concentrated, large or buy in volume their bargaining power represents a major force affecting intensity of competition in an industry (Grobler 2009) ? This goes for actual customers(public) and b2b businesses, because those that buy the larger quantities would get the cheaper rates no doubt, however in China how will that be decided?

Will it be their size, market share, sales or Return on capital employed. Potential development of substitute products: in many industries firms are in close competition with producers of substitute products in other industries. ? As mentioned throughout this article, the Chinese have the ability to imitate anything, this factor will never disappear especially if Chinese firms enter European or American markets, how those manufacturers would react to the Chinese developments are unimaginable.

Bargaining power of suppliers: the bargaining power of suppliers affects the intensity of completion in an industry, especially when there are large number of suppliers, when there are only a few good substitutes’ raw materials or when cost of switching materials is especially costly (Grobler 2009) Porter’s five forces will only be effective if it is done in a stableenvironment, it is done to see how attractive the industry is and if it is worth starting a new venture in that environment. Porter’s generic strategies •Costleadership•Differentiation •Focus Cost leadership: Cost leadership means having the lowest per-unit (i. . , average) cost in the industry that is, lowest cost relative to your rivals. This could mean having the lowest per unit cost among rivals in highly competitive industries, in which case returns or profits will be low but however higher than competitors Or, this could mean having lowest cost among a few rivals where each firm enjoys pricing power and high profits Notice that cost leadership is defined independently of market structure. Differentiation: Differentiating the product offering of a firm means creating something that is perceived industry wide as being unique.

It is a means of creating your own market to some extent. There are several approaches to differentiation: •Different design •Brand image •Number of features •NewtechnologyA differentiation strategy may mean differentiating along 2 or more of these dimensions. Focus: Here we focus on a particular buyer group, product segment, or geographical market. while low cost and differentiation are aimed at achieving their objectives industry wide, the focus or niche strategy is built on serving a particular target (customer, product, or location) very well. Note, however, hat a focus strategy means achieving either a low cost advantage or differentiation in a narrow part of the market. For reasons discussed above, this creates a defendable position within that part of the market. Risks of doing generic strategies Cost leadership •Requires continual capital investment because newer innovations cause older creations to become obsolete. •When focusing solely on making affordable low cost products, it can cause firms to be blinded to product changes that are needed. Ie. Quantity over quality •When costs do begin to increase it narrows the differences between competitors and advantage is ultimately lost

For China, the main risk that would affect them the most is when focusing solely on quantity, especially because of their expertise in manufacturing they could lose sight of changes that need to be done to better sales. However, China does have the leading number of R&D departments, even though they might not be as innovative as the Japanese or South Koreans, they have the ability to imitate anything they produce which is why they play a major role inglobalization, they can imitate anything except fresh air as they say. Differentiation Customerloyaltybecomes too large to hold because of the cost differentiation between low cost firms and differentiating firms. •The consumer or buyer’s need to differentiate falls away because of price increases. •Imitation decreases perceived differentiation This area is where China are dominant, because they have the influence of causing differentiation to fail, because if the product looks the same, and does the same thing, then why would they ever go for the more expensive, and thus Chinese markets prosper because economies of scale have brought their price down dramatically.

This is also when manufacturers have to start looking for alternative suppliers because they now have to compete with China which is not an easy task, and in doing so, it almost definitely forces them to go global. Focus •When companies market to niches only they already take the risk of not completely satisfying a demographic segment and with other companies finding alternatives ways to better their market share eg. FDI or R&D labs, they face the risk of dissolving.

On its own focus strategy’s should not be attempted by almost any kind of company, its main purpose is to satisfy a small group of consumers at a time, and if this is not the aim of the business then they are going to fall extremely short on their company vision. Books Grobler, W. (2009) Business strategy, CTIEducationGroup, Johannesburg. Johnson, G. scholes, K. Whittington, R. (2008) Exploring corporate strategy, Prentice Hall, Upper Saddle River.