

Porter's 5 force analysis

[Business](#), [Marketing](#)



The Five Forces Model determines the external competitive threats that act on the market environment of any particular industry. The model was developed by the American Management scholar Michael Porter and the model summarizes the extent to which the external forces acting on the industry to assess the intensity of competition. The Five Forces Analysis of consulting industry within the hospitality industry of UK Europe takes the following form:

Threat from New Entrants

This force acts when the new entrants could enter the market without difficulty and pose a competition for an existing business.

The greater the ease with which new entrants enter the market the higher is the level of competition. The capital cost of entry, the scale economies, product and price differentiation, switching costs, the expected retaliation from the existing player, legislative measures and access to the distribution channels is some of the factors that influence the ease of the new entrants. In the case of consultancy services within the hospitality, industry the capital cost of entry is not very high unless the idea is to start operations in various geographical areas.

In general, the starting of a moderate level of operations does not pose a problem of higher initial capital outlay. The services and price differentiation does not act as a barrier to the new entrant in a medium scale. There is virtually no switching cost for the customers as they can easily change the consultancy firms to any of the competitors unless there is a time-bound contract. Hence, the switching cost does not act as a barrier on the entry to

the market as the new entrant should be sure of the quality of service to the customers and price points so that the firm does not lose the customers.

The establishment of a working relationship with larger firms in the hospitality industry is a matter of importance to the new firm. However, this aspect is not a material one to affect the entry of new firms. On an analysis of the above factors, it appears that there are no serious deterrents for the entry of new firms in to the consultancy market and hence the competition from this force can be reckoned as from moderate to serious. Bargaining Powers of Buyers This is the serious competitive force acting on the consultancy firms within the hospitality industry. Read Royal Dutch Shell PESTLE analysis

The consumers represent the international chains, regional chains and several other leisure and entertainment business houses. The buyers hold the supreme power in deciding the success or failure of any firm. Since they have alternative sources of getting the consultancy services the intensity of this force, acting on the competitiveness of the consulting industry is very great. Any variation in the price or quality of service will induce the customers to look for alternatives, as there are several consulting firms available in the industry; and there is no switching cost involved when the buyers change the consultancy job to any other firm.

The confidence levels of the customers on the price, quality of service and utility need to be established to win. Hence, this force acts very seriously on the consultancy firms. Bargaining Power of Suppliers The competitive forces acting on any industry will be affected by the concentration of suppliers and the degree to which the products can be substituted by other sources of

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supply. The other factors that determine the bargaining power of suppliers is the level of importance the buyer attaches to the supplier and the switching costs for the buyer to source from the alternative sources of supply.

However, in the case of consultancy firms within the hospitality industry there are no established supply requirements except some computer peripherals and software applications. These suppliers do not pose any threat on the competitive ability of the consultancy firms. The other requirement for the consulting firms is skilled and knowledgeable consultants as employees the availability of whom, in the current economic scenario does not appear to be a serious issue. To this extent, the suppliers to the consultancy firms do not have a bargaining power and the force can be reckoned as low.