Good critical thinking about porter's five force analysis

Business, Marketing

(Professor Name)

(City, State)

Introduction

Discussion

Figuratively, the Five Forces of Porter can be summarized in the diagram.

Threat of Entry

It measures the responsiveness in which competitors enter the industry. Ideally, it shows how difficult or easy it is for newcomers to start competing together with defined barriers that exist in the business. The higher the industrial competition, the better and easier it is for the new entrants to join the market. Majorly, new entrants will look at adjusting market shares, loyalty of customers, and prices. New entrants depend on many factors before they join the market.

Example from Delta-Signal Case Study

Weber and other colleagues have decided to enter the Asian Market and pursue low-cost prices for the competitors. Ideally, they have seen opportunities in Asia. The essence of gaining market share for Asia has encouraged them a lot to venture into the market. The issue of Chinese government imposing a threat of law to stop sharing of technology with the OEMs selling cars will be a threat of entry to these people.

Bargaining Power of Suppliers

In this case, customers influence a lot when it comes to pressure imposition on the profits or margins in a business. Customers will put more pressure when they buy goods in large quantities hence there is a lot of buyer concentration in the market. Two when products are undifferentiated, and customer satisfaction can be completed by replacement with substitutes (Martin & Roderick, 1992 p. 21). The other point is that when customers are able to produce their products for themselves, they always put pressure. Besides, when customers understand the production costs of a given product, they always bargain a lot.

Example from Delta-Signal Case Study

The Odawa system Corporation is another company that seeks to stay ahead in future strategies of the automobile industry. The company supplies electrical systems which are not related to traditional ones. Its products require little wiring and are light in weight. These products will outshine in the market and bring a lot of competition.

Bargaining Power of Buyers

The extent to which customers put pressure on products in the market influences the bargaining power. Customers have high power of bargaining when there are large volumes to buy from, meaning concentration of buyers is high. In addition, it becomes high when the supplying firm operates under high costs of fixed assets, switching from one product to another is easy, and no switching costs are involved. Besides, when products are not of any strategic importance to customers, and lastly, when the customer is likely to integrate backwards on the product.

Example from Delta-Signal Case Study

Consumers always like quality products. Shopping of automobile products requires durability of products and little repair expenses. Consumers expect high levels of pout-box quality products before they buy. This has been explained by OEM consumers in the Delta Signal to produce long term products henceforth to influence consumer purchase.

Threat of Substitutes

Threat of substitution happens when there is an opportunity of a relatively cheaper product which serves the same purpose as the other. Threats of Substitutes attracts significant market volume that reduces sales volume of the competitors. Some of the factors that influences or determines substitute entrants include, loyalty brand of customers, customer relationships, current economic trends, and the relative prices of substitutes.

Example from Delta-Signal Case Study

In Munich, Germany, Vulferan makes cables, wiring systems, automobile, telecommunications and another luxury to attract customers, cable division has made this automobile industry standard. Availability of substitutes from elsewhere in the market will bring competition that will put a lot of pressure in the market bargaining power.

Competitive Rivalry in the Industry and existing Players

This is a competition venture between existing players in the market. When the pressure is high, it brings about pressure in the prices, and hence the higher the prices, the better the profit. In that analogue, competition increases when players are many and of same size. In addition, when players have similar strategies to impose or apply. Additionally, when no differentiation exist between players, there is high prices charged. Moreover, when the barriers are high with low market rates in a particular competitor.

Example from Delta-Signal Case Study

Nelson noted that it would be unlawful to invest in other initiatives apart from what they do. This is because, they will bring competition of products and in that case, this strategy will compromise their targets.

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