Boeing porter's five forces industry analysis

Business, Management

BOEING COMPANY: Threat of New Entrants: Low The threats of new entrant facing Boeing Company is very low. One of the reasons why it has low rates of new entrants is because the industry is very capital intensive (Hecker, 2001). This means that new companies require a high amount of capital for purposes of investing in the industry. Furthermore, this industry is characterized by very high oil prices, which makes it difficult for airlines to post profits (Mouawad, 2). This is because they will have to travel when their capacity is full, that when the companies will be guaranteed of some profits. It would be very difficult for new companies to compete with the major airline carriers (Fojt, 2006).

This is mainly because they are highly entrenched in their airport hubs, making it difficult for new companies to find space in these air ports (Clougherty and Zhang, 2008). Furthermore, smaller airports do not have enough passing traffic that can make these new airlines companies to post some profits. High fuel prices are one of the most dominant barriers for new airline companies (Mouawad, 4). This is because it accounts for approximately 50% of the costs that these airline companies are able to incur (Peoples, 2012). The high number of mergers is also another reason that prevents new companies from entering the market. These companies manage to control a large segment of the market, making it hard for new entities to penetrate.

Companies such as Hawaiian airlines, Allegiant Air, and Spirit Airlines managed to survive this competition by creating their own niche market, hence avoiding direct competition with these major airlines (Fojt, 2006). There is also a high level of research and development budget that is

required for new entrants into this market. It is virtually impossible to compete in this industry, when the new company does not have information about its competitors, target market, etc (Williams, 2002). Acquiring this type of information requires a great deal of research, which is very expensive. Furthermore, the airline industry has loyal customers, who will only take the national carrier. Based on these facts, threats of new entrants to Boeing are low.

Competitive Rivalry: High

The intensity of competition facing Boeing is very high. This is because the industry comprises of large airline companies offering the same services. The airline industry does not have any market leader, and their strategies are not different (Fojt, 2006). This is the reason why most airline companies are forming mergers for purposes of competing efficiently with their competitors (Grundy, 2012). Examples of these mergers and acquisitions include the American West Airlines, which merged with US Airways. US Airways was facing bankruptcy charges because of the high competition it was experiencing in its markets, and its inability to post profits because of this competition (Camoletti and Cross, 2012).

Because of this intensity of competition, the airline industry is characterized by low profits, and issues of bankruptcies and losses (Hecker, 2001). In fact scholar explains that it is always difficult for an airline company to make some profits, because of this high level of competition (Fojt, 2006). The five biggest companies operating in United States are, American Airlines, Delta, South West, US Airways, and United Airlines. These companies are providing

very high competition to companies such as Boeing and Air bus (Peoples, 2012). However, because of the similar strategies that they use, there is no major market leader in this industry. All these airline companies have to compete for a share in their market under consideration. Because of high competition in this industry, companies such as ATA airlines, Skybus Airlines and Maxjet airways have tried to enter the market and failed (Mouawad, 5). Furthermore, Virgin American has never made some profits since it started its operations in the industry (Camoletti and Cross, 2012). This is more than five years ago.

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