Porters 5 forces and hofstedes cultural dimension

Besides buyers are easy to switch between airlines companies, this increases the rivalry (Airlines and Strategic Management 2008).

With high growing rates, a company can easily enter the market. Product differentiation for domestic airlines routes in Australia is important as it distinguishes one airline apart from another. For example, Qantas covers most domestic routes while Virgin Blue flies between big cities (Flying within Australia: Domestic Routes and Schedule 2009). The different airlines routes offered by different companies are meeting the buyers demand for transport and they will purchase the tickets in disregard of the price.

This different product is a rivalry for Safety Airlines when a company offers new or more routes together with low fares, advanced technology and excellent customer services. A company can gain more revenue.

In conclusion, the threat of rivalry is high as the airline industry is highly competitive and the industry growth for domestic airlines is going strong in order for a company to stand firm under this industry. 3. 2 Threat of New Entry To establish a successful airline company, a large amount of financial resource is required for investment. The barrier to entry is low due to the high startup costs of an airline company.

For example, the domestic Australian Airline Company Virgin Group had invested US $7. 5 million for cast up costs (Bamber et al. n. d.

). This places a limitation on the investors and the fear towards the unfavorable conditions creates hesitation for investors to step into the industry. Moreover, Australia government required foreign airlines apply an

IAL which must demonstrate they meet the requirements of the air services agreement between Australia and their country of incorporation and fulfill the conditions prescribed under the laws and regulations (Australia Government 2008).

The rules and regulations have restricted a new Airline Company to start their business. It becomes an obstacle that constraints their action to involve in the airline industry. A foreign company needs to meet all the requirements and understands the laws and rules in Australia in order to avoid any conflicts between nations.

Overall, the threat of new entrants is low based on the analysis above as it requires large capital and the fulfillment of the regulations as well as the buyers attitude toward the price. 3. Threat of Substitutes Substitutions for air travel include traveling by train, bus or car. In Australia, railway is the airline industry's main competitor. The Australian Rail network is extensive and provides an opportunity to explore, in comfort and safety (Rail Australia). Airline travel is neither practical nor economical for short distances, so sometimes buyers prefer to choose railways.

Nowadays, travelled by train throughout Australia is an enjoyable experience where buyers can see Australia countryside by train.

Besides this, substitutes of airline travel for business travelers include teleconferencing, enabling virtual meeting rooms where participants can sit in different geographic locations (Airline industry and Porter's five forces). Australia has over 15, 300, 000 internet users, 74. 3% of the population (Internet Usage Statistics). Buyers enable to use internet as substitution where they need not to travel to exact location for meeting but just connect through internet or teleconferencing. The degree of the threat of substitutes is high as it depends on money, convenience, time and personal preference of buyers.

Safety Airlines Ltd can joined forces with its substitutes, such as car rentals and hotel and tour packages as this will help Safety Airlines Ltd on its growth and popularity. 3. 4 Bargaining Power of Buyers The bargaining power of buyers is high. The fact that the various airlines in Australia are competing for the same customers strengthens the buyer power.

Buyers can be price sensitive and search for the best deals available (Robbins et al. 2006, 257). Product differentiation is created for customers to identify which airline to suit their status and budget.

For example, Virgin Blue attracts travelers that are price sensitive by offering them low fares and those that are convenience oriented. Qantas on the other hand has created a frequent flyer program to create switching costs.

This is a significant factor to a traveler when choosing which airline to fly with. Besides, the switching costs for the ticket buyers are high. According to the table, the ticket prices are similar between three domestic airline companies Jestar, Qantas and Virgin Blue (Domestic Australian flights and airlines information n. d.).

The buyers will choose the cheapest ticket to cost.

In addition, the customers will easily switch to other company since the products and services offered by different airline companies are quite similar. Backwards Integration of power of buyer is low. It is difficult to start an airline company due to competition and the legal requirements that must be met between Australia and their country of incorporation.

Capitalism is also a major factor as an airplane will cost US $ 70 million and above (Commercial Airplane n. d.). The airline industry requires a high startup cost for starting cost. Overall the bargaining power of buyers is high.

Powerful buyers can affect how the industry works as different airlines compete for the same customers. Buyers are powerful because they affect the pricing of the products and are the reason for the high investment cost of an airline company. 3. 5 Bargaining of Suppliers In addition to buyers, suppliers can also exercise considerable pressure on a company by increasing prices or lowering the quality of products offered. The bargaining power of suppliers depends on supplier concentration, substitute supplies, switching cost, threat of forward integration and buyer information.

Airline and Strategic Management 2008). The company has to buy the raw material of airplane from certain suppliers as there are no or less substitutes for the supplier products. Therefore, the supplier will gain more control on the price of the product sold. Boeing and Airbus are the main suppliers within the airline industry.

As the supplier industry is dominated by Boeing and Airbus the concentration undermines the ability of airlines. For example, Virgin Blue exercises control over suppliers in order to earn a higher profit.