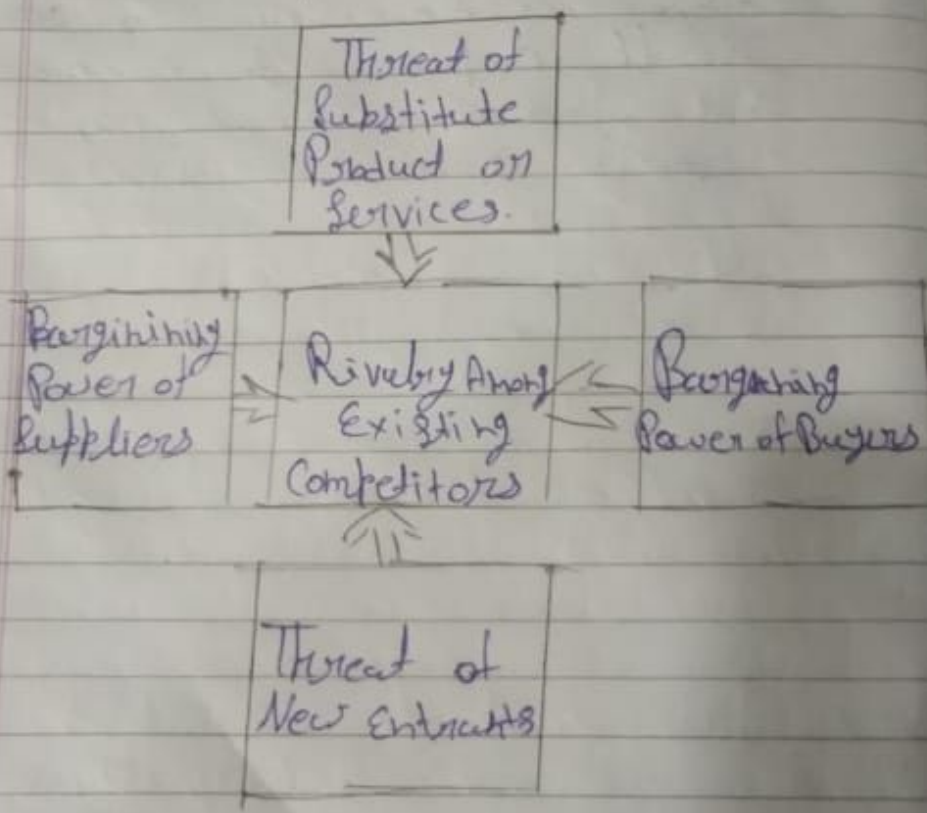


Q-2 Explain the Porter's 'five force' same work at for Industry analysis and business strategic development?

Ans The Five forces.



### In Theory

### In Practice: The Airlines

Bargaining power of Buyers

Bargaining Power of Buyers high

1) Powerful customers can use their clout to force prices capturing more value than themselves. Buyer power is highest when buyers are large relative to the competitors.

Despite the fragmentation of Buyers, airlines have a hard time differentiating themselves and creating customer loyalty switching costs for buyers are nearly

2) Bargaining power of Suppliers

Bargaining power of Suppliers high.

Companies in very industry purchase various input from suppliers - which account for differing proportions of cost power fuel suppliers can use their negotiating leverage to charge higher

The major suppliers groups to the airlines industry are aircraft engines, airparks and fuel suppliers. Each the major supplier groups are highly concentrated and has huge clout

③ Threat of New Entrants

The threat of new entrants into an industry can force current players to keep prices down and spend more to retain customers.

Threat of New Entrants - High

The airlines industry continues to grow. The cost of entry is low with good access to air craft and financing.

④ Threat of substitute products or service

When a new product or service meets the same basic need in a different way, industry profitability suffers. Video conferencing is a substitute for travel. Email is a substitute for express mail.

Threat of substitute products or services - Low

There is no effective substitute for air travel especially for longer distances for short haul travel, substitute include automobile.

⑤ Rivalry Among existing Competitors.

if rivalry intensifies, it drives down prices and dissipates profit by pricing

\* Competitors are numerous or are highly equal in size and market position.

\* Industry growth is slow

Rivalry Among existing Competitors :- High

There are numerous rivals who compete for every market since differentiation is low and fixed.