Porter's Five Force Analysis
SECTOR-TECHNOLOGY

The technology sector, also known as the IT(Information Technology) sector has been there since the early post-independence era. If you see, companies like **Tata Consultancy Services** and **Infosys** were set up in 1968 and 1981 respectively. However, there wasn't much contribution at that point in time. Then in 1991, the Indian economy opened up and allowed foreign players to come in. That also provided access to Indian IT services companies to find customers across the seven seas. Indians soon became one of the most favored destinations for outsourcing IT work. Ever since the Indian IT services industry has seen tremendous growth. So much that India is the **world's largest sourcing destination**, accounting for approximately **55 per cent** of the US$ 185-190 billion market in 2017-18.

Bargaining power of Buyers: The bargaining power of the buyer is high. That is primarily because of the Indian IT services companies that are capable of handling work of that nature and size. Thought there are only a handful of them, the buyers have a sizable option to choose from as each company gets something different on the table.The IT industry caters to the needs of individuals and enterprises. The buyers of this industry are unique and do not need a lot of important information with regards to using the products. They also face significant costs in switching suppliers. Due to the innovation in the products of the IT industry, the buyers do not feel the need to bring in a shift in the industry.

Bargaining power of Suppliers: This one can be debatable. For instance if we talk about software vendors who are providing licensed software. These vendors do give bulk licenses to the Indian IT services companies but still they are in a position to demand a price for the software they provide. On the other hand you have the hardware manufacturers who can't really be in a commanding position because of the sheer size of orders that are placed for hardware components. And moreover with Cloud services kicking in, this model is got to change. After ananlysing all these points we can say that as of now, the bargaining power of the suppliers is high because it is not easy for companies to switch suppliers quickly and easily and also, the supplier's product indispensable to IT companies.

Rivalry amongst existing competitors: The industry rivalry is a high force in the Indian IT Services industry landscape. As mentioned earlier, there are only a handful of large IT services companies and there is rivalry between them in terms of the deals they win, the market share they grab, the bottom line they are able to showcase. In way this high industry rivalry has also helped the Indian IT services

sector to grow as it paved way for innovation and each company came up with innovative solutions.

Threat of substitutes products: At the current economic condition when the economies of the world are slowing down, there is high chances of substitution. Other world economies like Philippines are bidding for IT services projects globally as they are able to provide the work at a cost cheaper than the Indians. Also if you think, the companies that are giving the projects to the Indian IT services industry, can do a backward integration and setup their own IT solution company. For instance **IBM, Accenture** etc These companies were primarily consulting companies at one point and today they boast of their IT solution arm. Both of them having off shore centres to cater to the world. It is easy for customers to go for substitutes as they might be cheaper.

Threat of New Entrants: Threat of new entrants is pretty low in the Indian IT service landscape. One of the major reason being that the deals that come in have a certain ticket size. And not every company will be able to deal with a project at that scale. Moreover there are about 4-5 players which have built the capability to deal with multi-million dollar deals. The startup culture is there, but these startups play in a very niche field. Things like Fintech, AgriTech to Deep Neural Networks are the areas these startups deal with. So in a way there is barrier to entry created by the large corporations which makes it difficult for any new entrant to come in and take the project. The new entrant would have to compete against established brands and that is really difficult. Any newcomer to, let's say, the semiconductor industry would go against the market leaders **Intel** or **AMD**. They would need to spend significant amounts of money on advertising and promotions to attract customers. A large amount of up-front capital required to enter the market.