

Porter's Five Forces Analysis of the IT sector

Bargaining Power of Buyers: The industry as massive as IT sector has almost everyone as its customers. The IT sector has several companies operating in the same domain, providing the same services to the customers. Customer in this sector has a lot of choices to choose from, and the cost of switching from one IT firm to another is relatively low, so the bargaining power of the customer is relatively high. Though we can see the bargaining power of the customer is high, based on the quality of the product, a specific company can have the edge over others.

Bargaining Power of Suppliers: In IT sector, the relationship between supplier and IT industry are well established. IT companies cannot switch to other suppliers easily. Also, it is difficult for new suppliers to enter the IT industry because of the existing relationship between current suppliers and IT firms, the ever-changing and improving technology of the world, and the intense rivalry between the existing players. There are a lot of suppliers currently in the IT sector. Suppliers are not "locked" into deals with specific firms (contracts exempt), but most of the relationships between the firms and suppliers in this industry are well established, and these suppliers would most likely not want to end their relationships with firms in the first place. Hence the bargaining power of suppliers is not that high.

Rivalry among existing players: The IT industry is known for its rapid growth, effectiveness, and competition. The main reason many new entrants are unsuccessful is the intense rivalry between existing players. Large companies benefit from economies of scale, which is valuable and something they try hard not to lose. Products in this industry are well branded and tend to have a solid customer base. Market share is unevenly distributed among existing players, who are often in various legal and advertising battles.

Threat from Substitutes: There is not much of a threat from substitutes to the IT industry, mainly because there aren't true substitutes. We live in a digital age, so we rely on IT to run our lives and businesses. An example of a substitute would be a scientific calculator, but to compare the two is a stretch. Nothing can really replace all that computers do for us as a society.

The threat of New Entrants: The IT industry is relatively attractive to newcomers because of its rapid growth and appealing customer base. At the same time, the industry is unattractive to newcomers because of the cost that large-scale incumbents possess, the significant amount of capital a new firm would need, and the major established brands already in the industry. Any newcomer in this industry can expect a

strong retaliation from existing players, which is a significant reason this industry is not too attractive. The best way for a new entrant in this field to be successful would be if they had a brand new idea for a product or service; the lack of differentiation in the industry is one thing a newcomer could exploit. Overall, the IT industry isn't overly attractive, but it is routine and profitable enough that many people try to enter it.