Porter's five-force analysis on the Technology Sector

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1 Introduction

Technology brings processes, and tools together, information exchange to promote development for the betterment of mankind. It helps people to solve their problems, reduce excess time, save lives, and help to interact and exchange information. New development in technologies is driving the world and making it more efficient and better. As in 21 st century, we are bound with technology in day-to-day activity. Due to this, Businesses Industries are spreading globally. Even though, they are getting in operation efficiently with ease. The education and communication systems are becoming more advanced. Software like Byjus, Vedantu, Zoom, Skype, Microsoft Teams, and Google Meet are changing styles of study and communication. There are so many reasons showing the importance of technology in human life. Technology helps us to reduce the time required to do daily work. Like, we can order food online by using apps on mobile phones. It is one of the great things that no human being can't live without it. It is becoming an integral part of human being life. We all are surrounded by technology in our life. From morning alarm to the switch off the light at night, we are habitual of it. Due to this, humans feel more secure in his day to day activities in both personal and corporate life.

Therefore it is very interesting to see the trends in this sector of the market and see its effect on other parts of the economy, as well as how it it has grown and what future it holds.

Here is an analysis of the Technology Industry using Porter's Five Forces:

2 Porter's Analysis

2.1 Bargaining power of buyers

Buyers have a lot of say in determining prices and services in the technology sector. This is because of the reasons mentioned below: Buyers do not face much switching costs, that is changing from one company to another, as almost everything is integrated and cloud based, the data and memories aren't local to a particular device that they had. All information regarding to the products in the tech industry is available on the internet, and thus buyers are informed about the choices that they can make, and do not have to rely on the industry itself to inform them. Additionally, the products that the sector manufactures are more or less done by almost all companies in the sector, so there's little to no uniqueness in terms of products. Therefore, there's a high bargaining power of buyers in this industry.

2.2 Bargaining power of suppliers

The suppliers in the tech industry include IT Infrastructure providers (Servers, computers etc.), Recruitment firms, Office Space Suppliers as well as software suppliers etc. Most of the firms in the IT industry are well established and reputable, and thus have high standards and expectations from their suppliers. They look for innovation and ingenuity in their new suppliers, hence it is the firms that have a say in deciding suppliers, not the other way round. It is also notable that a large number of suppliers exist given the increasing amount of soft skill in the world, and though the supplier's products are indispensable to the company, they can just get it from other suppliers. Thus there is a low bargaining power of suppliers in the tech industry.

2.3 Rivalry among competitors

There are a lot of similar companies in subsectors in the technology sector. For example, in semi-conductors, Intel and AMD are competitors. Smartphone making companies have been on the rise for a long time, and often the products that these companies offer are comparable and it only comes down to personal consumer preferences when deciding among these products. The industry is growing rapidly, and thus there's a hard-pressed need for firms to come up with innovations that eliminate the competition a little.

2.4 Threat of Substitute Products

There is no real threat of substitutes in the Technology industry, and the only substitutes being other newer innovations which are developed in the existing companies itself.

2.5 Threat of new Entrants

Any new entrant in the technology sector must face the heat of competing with well-set companies, which often have a finger in every pie. That, in addition to the high advertising and setting up cost, would be a major deterrent for new players to enter in the tech industry.