

Five Force Model: A tool for strategic analysis of JK tourism industry

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ABSTRACT

Tourism is one of the growing industries throughout the world. The state of Jammu & Kashmir is one of the world famous and preferred destinations for tourism. The state witnesses inflow of both foreign and domestic tourists. The state is divided into three regions that are Jammu, Kashmir and Ladakh, all the three regions are equally bestowed with ample tourist attractions that cater almost all forms of tourists. The purpose of paper is to analyse the tourism industry using Michael Porters five Force model. The study reviews the need of strategic analysis in a particular industry, the paper is based on a conceptual study on how tourism industry of JK is influenced by the Michael Porter's five force model The research paper is review of Five Force Analysis that includes Competitive rivalry within the industry, Threat of substitutes, bargaining power of suppliers and buyers, and threat of new entrants in relation with J&K tourism industry.

Keywords: Tourism development; Competitive advantage; Strategic analysis; technology; rivalries; competitors; challenges; economy

1. INTRODUCTION

State of Jammu & Kashmir is known as one of the preferred tourist destination across the world. The place is filled with endless attractions and resources (natural and manmade) to carryout various forms of tourism like adventure, culture, religious, heritage and etc. The tourism in state of JK holds a huge importance as the topography and geography is idle for the tourism in JK.

The state is divided in 3 major regions that are Jammu, Kashmir and Ladakh. As per the (*Department of Ecology Environment and Remote sensing and annual administration report, J&K forest 2014, J&K the total*) geographical area of 222,236 km² is covered by the state that constitutes 6.93% of total area of Indian Territory. The total geographical Area of J&K is 222,236 km² out of which 78,114km² is under illegal occupation of Pakistan, 37,555 km² is under occupation of china and the area illegally handed over by Pakistan to China is 5,180 km²

The state has total of 22 districts that cover 101,387 km² of state, there are 10 districts each in Jammu and Kashmir whereas remaining 2 are in Ladakh. According to the census reports of 2011 the state has total population of 12,548,926 and estimated growth by the year 2017 is 14,280,373.

2. REVIEW OF LITERATURE

As per *UNWTO Statistics guidelines 2010* tourism is visiting to a destination other than normal place of living for less than one consecutive year and more than 24 hours. The industry is rising across the globe and people have shown immense interest in travelling, therefore there is a need that the tourism is to be managed strategically. Analysis is not exact guidelines as to what to do to achieve goals but it gives a broader insight into the industry and the operations there, which actually facilitates the management to frame guidelines and take decisions towards the success.

Strategy as a whole is vital irrespective of the fact whether the industry is of large scale or small scale, as every industry/organisation has to plan ahead for the development. It is framework how organisation will achieve its desired objectives. Strategic Analysis is the term that refers to making viable business strategies by analysing the various components and elements of business environment where it's operational. It is one of important and useful tool to plan the business. The fundamental purpose of strategic analysis of a specific industry is to maintain its presence on market and to be vigilant about the changing trends in the market.

Strategic analysis is the beginning of strategic planning and is carried by the industry experts who have a handsome expertise and have a critically acquainted with operations of the organisation *Gibis et al., (2001)*. There is gradual shift in travel and tourism industry as more and more are travelling and thus the applying strategic analysis in tourism gives the stakeholders competitive edge. *Johnson et al. (2005)* says strategic analysis is a viable tool to ascertain strategic

choices and plan the future course of actions of a company. The outcome of the analysis helps in achieving the competitive advantage and make decisions for future *Byars (1991)*. As per Michael Porter's argument the five external forces of competition determine the industry attractiveness of the particular industry *Chen, et. al., (2011)*. The implementation of Porter's Five Forces analysis includes and involves use of scenario planning to predict and respond to uncertain, volatile and disruptive environmental changes. Strategic analysis helps industry to identify the general and the competitive environment *Aosa, (2009)*.

3. RESEARCH METHODOLOGY

The most of data in the paper to ascertain the findings that how these five external forces impact the tourism in JK used in the paper is based on the secondary data that was collected from different books on strategic analysis, magazines on JK tourism, various research papers, newspapers, relevant websites and other literature available of strategic analysis and tourism industry of Kashmir.

4. OBJECTIVES

- To understand the Michael Porters Five Force Model in tourism industry of J&K.
- To conceptualize Strategic Analysis vis-à-vis Michael Porters Five Force Model in J&K tourism industry.

5. FIVE FORCE ANALYSIS

Five force frameworks were given by Michael E. Porter in 1979 to understand and analyse the competition of the business. The model or analysis helps in understanding the external forces that can affect profitability of industry. According to Porter's Five Forces model, he drafted a framework that facilitates to examine an industry by identifying the five important groups of forces that actually can influence competition. Porter identified these as suppliers, substitute's customers, and new potential entrants who are able to affect the performance of a firm. The basis of Porter's Five Forces model is the approach of the industrial organization theory. The industrial organization theory says that the attractiveness of the firm, in which it is operating, is developed by the market structure as the market structure influences the behaviour of customers *Raible, (2013)*. The Five Forces analysis is useful strategic analysis even where profit criteria is not necessary *Johnson, Scholes & Whittington, (2008)*

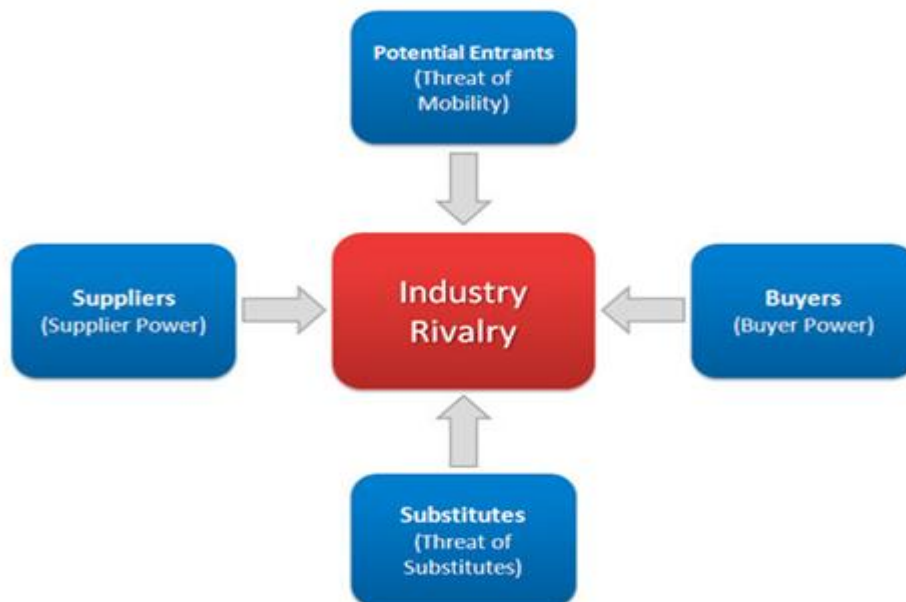


Figure 1: key elements in 5 force model.

The 5 forces in Michael Porter Model are:

1. Threat of New Entrants
2. Threat of substitutes
3. Bargaining power of suppliers
4. Bargaining powers of buyer
5. Competitive rivalry

➤ Threat of New Entrants:

The industry is dynamic and there are many sectors related to the field be it accommodation, transport, sports and others. There are many entry barriers which has lessened the chances of new entrants in the industry. One of biggest barrier is the that tourism industry is different from others as it requires variety of characteristics like location, service, amenities and other qualities to keep the clients attracted. Various entry barriers within the industry are:

- The tourism is capital intensive industry and most of the times require huge investment. All of the sectors in tourism industry are big investment business involving high rate of risk therefore creating an entry barrier to the entrants.
- Not only investment, the tourism industry is dependent on the skilled and professional labour and the state of J&K has the dearth of professionalism in tourism industry.
- The political instability in the state has added to barriers of new entrants.
- The government policies keep on changing, tax regulations and extra have added to the entry barrier.

➤ **Threat of substitutes:**

Tourism is one of most important and promising industry in J&K, the industry is considered as backbone of economy of the state. The topography, geography and the physical features are such that the state has been idol place for all forms of tourism. The industry is very vast and is often considered as the entertainment industry and forms of entertainment industry can be cinemas, theatre, music and etc but in the state of J&K where most of the people depend on tourism. Therefore the chances of substituting the tourism industry with other entertainment industries remain very less rather there is no threat on the tourism industry. The kind of impact, role and monopoly in the state tourism industry has gives a very less chance of substitutes. The substitutes of tourism are less that even in extreme winters when the state remains cut-off, the tourism department is trying its best to keep the tourism alive. But one cannot rule out the threat of substitutes; as the tourism industry of state is facing certain challenges and reservations, which can create scope of choosing the an alternate destinations by tourists intending to visit and the stats show that many of the tourists switched from J&K to states like Himachal Pradesh and Uttarakhand that have almost similar offerings for tourists.

➤ **Bargaining power of suppliers:**

The tourism industry in the state enjoys the monopoly and the potential of state in tourism is so high that it attracts the tourists all over. The tourism industry of state has so much to offer that the bargaining the power of suppliers remains high Tourism industry offers products like leisure, recreation, foods, beverage and etc and they are the need and prerequisites of the tourists, whenever the tourism activities are at full swing the suppliers enjoy the bargaining power as they sell the product and services at their own will. The power of suppliers remains high in the peak season or when the demand is high and seldom is the power low when there is no demand.

➤ **Bargaining power of buyers:**

In the state like J&K where tourism is the main industry and the industry has so much to offer that usually keeps the power of buyers low. The state has abundance of tourism products but there is a dearth of suppliers with J&KTDC holding the monopoly and very few private service providers. This leaves less scope for the buyers to dominate the suppliers. Although, during the off seasons or in times of political crisis when tourists prefer alternate destinations, there emerges a scope for buyers to dominate the bargaining power.

➤ **Competitive rivalry within the industry:**

The competition within or inside the tourism industry is fierce. It's the industry with strongest competition among the sellers of product and services. The high competition rate results in pressure price, profit margin, promotional strategies and etc. The state attracts large no. of visitors and there are local operators who serve the tourists and the competition among them during the peak season remains high. The few reasons or factors that raise the competition level among the existing players in the tourism industry of J&K are:

- Growing demand
- Quality services
- Number of competitors in the industry
- Low switching costs
- Price cut
- Offers and schemes
- Innovations and etc.

CONCLUSION

The state of Jammu & Kashmir has a significant potential for tourism and there of ample resources in the state the variety of tourism activities. The sufficient availability of resources alone can't develop the tourism unless these resources are managed strategically. But the state government and stakeholders have not been proactive in devising the policies for tourism. There are certain factors in the state due to which the industry faces challenges, but these challenges can be handled by strategic plans and decisions. If the tourism in the state is managed in strategic manner, the tourism industry of state will dominate throughout the world because of its attractiveness and aesthetic resources. The state is bestowed with so many resources that there is no competition or strong rival for the tourism industry and due to which the industry enjoying the bargaining power over the buyers. The strategic management of tourism is necessary in the state as it will help in increasing the tourist inflow; the strategic analysis will help the state to achieving competitive advantage over its rivals and there will be very less scope of tourist opting for the alternate destinations.

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