

Evaluation Strategy Michael Porter's five forces model of the competitive environment on the dairy industry (Case Study: Amoll Haraz Dvshh dairy company)

Mohammad Bolorian Tehrani¹Faezeh Rahmani^{2*}

¹ Faculty of Management, Department of Industrial Engineering, Mazandaran University of Science and Technology Branch, Babol, Iran

² Graduate student of MBA, Mazandaran University of Science and Technology Branch, Babol, Iran

Abstract: - State of competition in an industry depends on five basic forces. Porter's five forces model including bargaining power of customers, bargaining power of suppliers, threat of newcomers to the industry, threat of substitute products is the intensity of rivalry between competitors. Joint strength of these forces determines the ultimate benefit of potentially any industry. The purpose of this study was to evaluate the competitive environment of the dairy industry based on Michael Porter's five forces model is a dairy company. Survey, 20 of whom are chosen by simple random sampling. After collecting data through questionnaires, analyzed using SPSS software was based on the results, between each of Porter's forces, a significant relationship was found with the company's sales and market share more than other forces also affect the bargaining power of buyers is so strategists now have more focus should be on the bargaining power of buyers.

Keywords: - strategy, competitive environment, the dairy industry, Michael Porter's Five Forces Model

I. INTRODUCTION

Globalization process, the creation of the WTO and integration of global markets, rapid and fundamental technological advances, new developments in information technology, increased rapid changes in consumption patterns and demand explanation of environmental pollution control and energy conservation, low resources and high costs, they are challenges that businesses and industries in the field of trade and economic activities and survival faced by them, subject to correct and timely decisions in the face of these changes. Meanwhile, globalization and expanding markets and increasing the number of competitors and degree of competition, causing importance of concepts such as competitiveness is to improve. These leads to businesses, industries and various countries in order to improve their competitiveness factors identified the competitiveness and strengthen their work. Interpreted by many researchers for competitiveness and its influencing factors, theories and models have been introduced and the factors affecting the competitiveness of categories and are presented in the form of models. These theories and models are also relatively high diversity. Michael Porter's five forces model in this regard is of great importance. The breadth and diversity of today's competitive market faces higher compared to the past. Porter's strategy, business and the economy together. Porter's five competitive forces model has a worldwide reputation. The goal of competitive strategy for a business unit, the industry is a group of companies that provide goods and services produced in the same. (sharifi, 2013)

*This article is taken from Faezeh Rahmani's thesis.

Porter believed that "a business unit of most concern is the increasing competition within the industry in which it operates." This competition is heavily influenced by the following factors:

1 - The threat of new competitors or new or potential 2 - threat of substitute products or services 3 - bargaining power of buyers 4 - bargaining power of suppliers 5 - the level of competition among existing competitors. (Barry, 2009)

In this competitive environment, the dairy industry based on Porter's five forces model is evaluated. In this regard, the literature stated research objectives, the research methodology is described. In this paper, based on

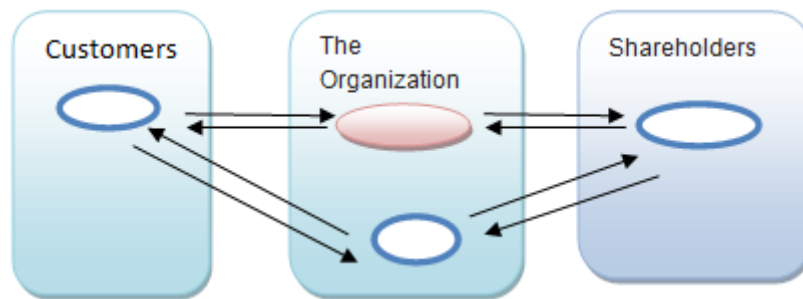
Porter's model is a set of questionnaires and distributed among experts. Then, the influence of each of Porter's five forces, the company's sales and market share are determined. Finally, according to Porter's forces to get the highest score each strategy is developed for the company. The purpose of this study is to answer the question what is the relationship between each of the company's sales rate there is Porter?

The research literature

Competitiveness is a multidimensional concept space for different people depending on the level that would have been a different meaning. (Competitiveness can be seen in three different but interrelated: the national level, industry level and company level). (Edwards, 2010)

Much research has been done in the field of competitiveness and different definitions have been proposed. Although the definitions are quite similar, but all of them have a common tub creates a favorable environment for the development of a welfare state. (Kozechian, 2013)

Definitions, the concept of competitiveness as a static view (for example, at one time, in terms of how competitive it is) and less attention to sustainability. Figure 1 presents a framework that can be used to complement existing definitions can be used to develop a new definition for competitiveness. (Gold smith, 2007)



Today, the competition has game the economic strength of a country or an industry or company than competitors in the global market economy where goods, services, people, skills, and ideas move freely across borders, they explained.(Nazari,2013)

Figure (2) a combination of factors that is used by institutions and organizations worldwide suggests:

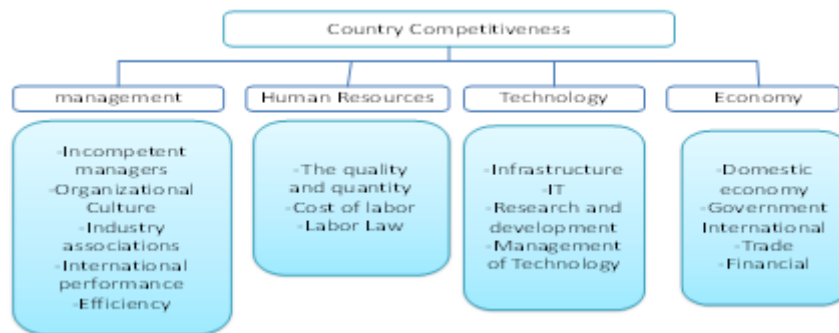


Figure 2 Classification of first and second level of competitiveness of countries

Changes in the competitive environment, the assumptions of the classical theory will result in the abstract. With these changes, changes in technology and the technology used to create different industries differ from other industries. This has led to the development of Fe regardless of scale, offering diverse products and diverse needs of buyers have been. New technology companies, the ability to overcome the scarcity of factors of production through the provision of new methods of production, provided.(Sautter,2011)

II. COMPETITIVE STRATEGY

People for centuries have been competing with each other in order to obtain natural resources; because the interaction of the human life cycle always has been faced with a shortage of natural resources. Survival depends on the life cycle of excellence. Ability to adapt to the environment than other species of living organisms, such as the use of resources, promotes excellence. Henderson's view, competition for scarce resources, there is always evidence to indicate continuing to compete in the future. In an effort to eliminate competition in the market is a gross error can have many consequences follow.Competitive strategy defendable position in an industry in which the company can provide a way to overcome your competitors. In other words,

determines distinctive competitive strategies company that wants to succeed in any of the areas of strategic business used to. (Gold smith,2007)

Michael Porter overcomes other competing companies in the same industry or public offers two generic competitive strategies: low cost and product differentiation. To say that this is the strategy that every business enterprise of any type and size, even non-profit organizations may use these are strategies. (Gold smith,2007)

In a study entitled "Effect of Porter's five competitive factors of tourism service companies Khuzestan» Amir Kaviani did in December 2013, competition among enterprises, tourism services in Khuzestan province, according to Porter's five competitive factors and given the current situation was assessed. Finally, according to the capacity and potential to attract tourists in the province would be generating revenues and adopting appropriate strategies for business growth and market share more diversified and high quality service delivery with the use of pure ideas can be a huge benefit to be gained.

D. M (2003). It is assumed that the existence of the strategy, the competitiveness of the company increases. The results partially supported the research hypotheses. There is a positive effect on sales strategy in response to the question "Are you taking a business relationship exists between sales and competition?" Most respondents are positive.

Hypotheses

- 1 - Bargaining power of buyers, the company's sales and market share are related.
- 2 - Bargaining power of suppliers Kan is related to company sales and market share.
- 3 - New threats with industry sales and market share are related.
- 4 - Threat of substitute products is associated with the company's sales and market share.
- 5 - Highly competitive with respect to the company's sales and market share.

III. MATERIALS AND METHODS

Study due to its nature, such research facto (causal - comparative) is considered. Because it has been tried it that causes an effect (silent treatment organization) understands. Methods of data collection and analysis in both theoretical study and evaluate the literature include:
 1 - Studies library for data collection in the field of literature and the literature of library resources, articles , books, and related laws and the worldwide web is used.
 2 - The use of questionnaires and interviews in order to collect data from the questionnaires and interviews were used for data analysis.

A survey of 20 dairy managers with at least a bachelor's degree and ten years of work experience requirements. After the validity of the study was approved by faculty advisors and the PA by Alpha 879/0 was calculated as 70/0 are required to have validity. Spss software for data analysis and Pearson tests normalized and used. A sale of dairy products was obtained from 20 sales representatives.

IV. ANALYSIS OF DATA

To evaluate the statistical significance of the first research hypothesis of normal distribution of scores was examined. Smirnov test to check for normal distribution - Kolmogorov applied. Table below summarizes the test results highlights.

Total	Bargaining power of buyers	Bargaining power of suppliers	Intensity of competition	Threat of substitute products	New threat to industry		
20	20	20	20	20	20	Number of samples	
3.6687	4.1278	3.9909	3.1000	3.5000	3.6250	Average	Normal parameters
.45604	.14983	.53653	.66462	.82717	.73690	Standard deviation	
.225	.353	.197	.225	.218	.162	Absolute	The maximum deviation
.225	.353	.197	.225	.218	.162	Positive	
-.194	-.197	-.156	-.124	-.132	-.105	Negative	
1.005	1.579	.880	1.005	.974	.724	Kolmogorov-Smirnov	
.264	.094	.421	.265	.299	.671	Sig	

Table 1 Test of normality for the four variables

According to the table with the value of 0.05 is greater sig every five variables that assume data normality is the H0 hypothesis is accepted.

V. THE FIRST HYPOTHESIS

New threats with industry sales and market share are related. To examine the relationships between hypotheses, in the case of normal distribution of test scores are not normally distributed Pearson and Spearman correlation coefficients were used to test scores. In both situations the 0.05 null hypothesis is rejected, ie there is no relationship between the two components.

		New threat to industry	Sales share	Market share
New threat to industry	Pearson Correlation	1	-.049**	-.350**
	Sig. (2-tailed)		0.000	0.000
	N	20	20	20
Sales share	Pearson Correlation	-.049**	1	-.259**
	Sig. (2-tailed)	0.000		0.000
	N	20	20	20
Market share	Pearson Correlation	-.350**	-.259**	1
	Sig. (2-tailed)	0.000	0.000	
	N	20	20	20

As the table above shows calculating the Pearson correlation coefficients indicate that the new threat of a significant impact on industry sales intensity Sig = 0.000 and r = -0.049 and r = -0.350 and highly significant impact on market share, there is Sig = 0.000.

VI. THE SECOND HYPOTHESIS

Threat of substitute products is associated with the company's sales and market share. To examine the relationships between hypotheses, in the case of normal distribution of test scores are not normally distributed Pearson and Spearman correlation coefficients were used to test scores. In both situations, if the null hypothesis is rejected 0.05, that is, between the two components, there is a relation .

		New threat to industry	Sales share	Market share
New threat to industry	Pearson Correlation	1	.035**	-.443**
	Sig. (2-tailed)		0.000	0.000
	N	20	20	20
Sales share	Pearson Correlation	.035**	1	-.259**
	Sig. (2-tailed)	0.000		0.000
	N	20	20	20
Market share	Pearson Correlation	-.443**	-.259**	1
	Sig. (2-tailed)	0.000	0.000	
	N	20	20	20

As the above table shows the calculation of Pearson correlation coefficients indicate that the threat of substitute products with significant sales impact intensity Sig = 0.000 and r = -0.035 and r = -0.443 and highly significant impact on market share, there is Sig = 0.000.

VII. THE THIRD HYPOTHESES

highly competitive with respect to the company's sales and market share. To examine the relationships between hypotheses, in the case of normal distribution of test scores are not normally distributed Pearson and Spearman correlation coefficients were used to test scores. In both situations, if the null hypothesis is rejected 0.05, that is, between the two components, there is a relation.

		Intensity of competition	Sales share	Market share
Intensity of competition	Pearson Correlation	1	-.134**	-.435**
	Sig. (2-tailed)		0.000	0.000
	N	20	20	20
Sales share	Pearson Correlation	-.134**	1	-.259**
	Sig. (2-tailed)	0.000		0.000
	N	20	20	20
Market share	Pearson Correlation	-.435**	-.259**	1
	Sig. (2-tailed)	0.000	0.000	
	N	20	20	20

As the table above shows Pearson correlation coefficient indicates that it is highly competitive with significant sales impact intensity Sig = 0.000 and r = -0.134 and r = -0.435 and highly significant impact on market share, there is Sig = 0.000.

The fourth hypothesis

Bargaining power of suppliers is related to the company's sales and market share.

		Bargaining power of suppliers	Sales share	Market share
Bargaining power of suppliers	Pearson Correlation	1	-.259**	-.514*
	Sig. (2-tailed)		0.000	.020
	N	20	20	20
Sales share	Pearson Correlation	-.259**	1	-.259**
	Sig. (2-tailed)	0.000		0.000
	N	20	20	20
Market share	Pearson Correlation	-.514*	-.259**	1
	Sig. (2-tailed)	.020	0.000	
	N	20	20	20

As the above table shows the calculation of Pearson correlation coefficients indicate that the bargaining power of suppliers with a significant impact on sales intensity Sig = 0.000 and r = -0.259 and r = -0.514 and highly significant impact on market share, Sig = there is 0.020.

VIII. THE FIFTH HYPOTHESIS

Bargaining power of buyers, the company's sales and market share are related.

		Bargaining power of buyers	Sales share	Market share
Bargaining power of buyers	Pearson Correlation	1	-.199**	-.392**
	Sig. (2-tailed)		0.000	0.000
	N	20	20	20
Sales share	Pearson Correlation	-.199**	1	-.259**
	Sig. (2-tailed)	0.000		0.000
	N	20	20	20
Market share	Pearson Correlation	-.392**	-.259**	1
	Sig. (2-tailed)	0.000	0.000	
	N	20	20	20

As the table above shows calculating the Pearson correlation coefficients indicate that the bargaining power of buyers with significant sales impact intensity Sig = 0.000 and r = -0.199 and r = -0.392 and highly significant impact on market share, there is Sig = 0.000.

IX. CONCLUSION

One of the models used to analyze the competitive environment in an industry with the aim of formulating strategies, Porter's five forces model. This strategy is based on competition basis. Trying to gain more market share, competition is not only manifested in the actions of competitors, but competition in an industry is rooted in the principles of economic and competitive forces that are beyond the competitors. Customers, suppliers of raw materials and substitutes, competitive factors are all possible depending on the type of industrial fields, are more or less prominent and active. Then test hypotheses conclude that the rate of sales and market share of each of Porter's forces dairy company and a significant direct relationship exists. Since the bargaining power of buyers Porter's forces won more ranking corporate strategists should focus on the customer, so the top end of their work.

According to our results suggest is: 1 - to manage the organization must identify the customer-oriented strategy for all stakeholders and at all levels; 2 - attention to design appropriate structure based on the customer can desired strategy is effective management 3 - Use the comments strategist or expert organization can effectively help manage the organization; 4 - In the backdrop of rising sales, the company must set up, equip and train the sales and distribution network embark it also increased the number of participating agencies throughout Iran builds the customer relationship, sales and execution quality product meets the company would.5 - Increase the quality, strict adherence to commitments between customer and company and providing seamless service to customer satisfaction and pave the way to look for other customers to the company reduced the bargaining power of provide.

For future research are suggested:

Examine the relationship between different statistical societies, for example, state-owned enterprises;

examine this relationship in other organizations;

examine the relationship between Porter's strategies and organizational structure;

Other factors affecting the sales of other models such as Porter's diamond model, the original matrix and the competition....

Among the limitations of this study can be the lack of similar studies in this area, Experts have different opinions on some current issues in the industry comments to these differences, transfer the questionnaires collected, Time constraints and lack of cooperation by the company because security issues arise from a reference.

RESOURCES

- [1] Barry L. Bayus,(2009), Accelerating the durable replacement cycle with marketing mix variables , Journal of Product Innovation Management, Volume 5, Issue 3, PP. 216-226.
- [2] Edwards, M.et al, (2010),NGOs in a global future:Marrying local delivery to worldwide leverage, NGOs Conference, p.25.
- [3] Haghghat dost, Vahid,(2013)" Strategy formulation, strategic lifecycle organizations (Case shortbread SABA), the first national conference billing, light Branch light.
- [4] Gold smith. Ronald , (2007) ,The personalized market place: beyond the 4'Ps, marketing Intelligence and plannin, Journal of consumer, marketing vol 17.number 4,pp.178-185
- [5] Kozechian,Hashem,(2013)" Assessing the components of the marketing mix of soccer", Football Association of Principals of Physical Education, Sports Management Journal, No. 5, pp. 19-5.
- [6] Nazari, Kamran,(2013)" Evaluation of Porter's strategies in attracting customers (Case Study: Kermanshah Province in BSI), Journal of Banking and Economics, No. 114.
- [7] Sharifi, Arash,(2013)" The effect of marketing mix on sales of Dairy Sabah", master's thesis, University of Babylon
- [8] Sautter, E.T.& Leisen, B., (2011), Managing stakeholders:A tourism planning model , Annals of Tourism Research, (26) (2), pp.312-328