MICHAEL PORTER'S THEORY OF FIVE FORCES: ITS USE IN THE CONTEXT OF ANALYZING AND ENTERING THE INDIAN EDUCATION INDUSTRY

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Abstract:

As per the reports of the CII, the education industry is one of the fastest growing industries in India. This is because it has advantages like stability, social respect, demographic support for the requirement of education as a commodity in the local Indian markets and governmental support. For the purpose of analysis, the environment of the Indian education industry has been classified into the internal environment constituted by factors like student and employee satisfaction, development of administrative systems etc. and the external environment constituted by factors like social and political environment. Michael Porter devised "The Theory of Five Forces" with the objective of determining the competitive strength of a business unit. In the light of that theory, the grounds on which the environment of the education sector can be analyzed and a strategy can be formed for a new organization to cater to the Indian education markets have been framed by considering existing competitive rivalry between suppliers, threat of new market entrants, bargaining power of buyers, competitive rivalry and threat of substitute products.

Brief idea about the Indian education industry:

According to the reports published from time to time by the CII, the education industry is one of the fastest growing industries in India. The retail sector, the telecommunication sector and the banking sector are some of the other rapidly growing industries. But statistics proved that there is no sector like the education sector.

Below is given a chart showing the growth rates of the various sectors in India as per the periodical reports published by the CII in 2014-15.

Name of the Sector	Growth Rate
Education Industry	26% (approximately)
Manufacturing Industry	5.5% (approximately)
Telecommunication Industry	8% (approximately)
Retail Industry	11% (approximately)
Transport and Communication Industry	10.5% (approximately)
Entertainment Industry	12% (approximately)

The education industry in India has some inherent advantages. A discussion on these is as follows:

1) **Long Term Investment:**
   The rising profit volumes of the education industry in this nation have made education the hot choice for the investors. Moreover, the education industry can be a long term option for investment because in a civilized country like ours education will never be out of fashion or lose its demand. It is an industry where an investor can look after the long term.

2) **Social Respect:**
   The people who are associated with the education sector are highly respected in all the levels of the society. So an investment in the education sector also helps an investor, secure a respectable position in the society.

3) **India is a young nation:**
   According to the recent reports published by the Ministry of Human Resource Development, Government of India, India can be considered a young nation in the sense that most Indians are below the age of thirty five. Roughly it is estimated that more than seventy percent of the population in India are below thirty five. Anywhere in the world it is a trend that mostly young people join the education sector as participants in educational programs. Going as per that trend, we can surely conclude that India being a young nation will provide ample business opportunities to the education sector to flourish even in the future.

4) **Government Support:**
   In India not only the central government but also the various provincial governments have given support to the education sector. The rise in the number of universities from four hundred approximately in the early 1990s to more than three thousand in 2015 would not have been possible without the governmental support. Sarva Shiksha Abhiyan, Rashtriya Uchchatar Shiksha Abhiyan, The National Knowledge Commission, the formation of the National Skills Development Corporation, running of skill projects like SJSRY, PMKVY etc are also evidences of the role played by the governments in India for the expansion of the Indian education industry.

Hence, it can be pointed out that now the education sector in India is a continuously expanding sector. With more and more deregulation measures taken by the governments, this sector is experiencing liberalization, which in turn is leading to perfect competition in the education market. The scenes in the education sector are looking brighter than never before from the point of view of an investor.

Environmental Analysis:

For the purpose of an environmental analysis the environment at the initial phase has been classified into two broad classifications:

1) **Internal Environment:**

   The internal environment is always easier to control because the dependence on external stimuli is less. Student satisfaction, employee satisfaction, building up of the administrative systems and maintaining coordination between the various departments of an institution are factors that constitute the internal environment.

   It is seen that in India *student satisfaction* has become a sensible issue. This is because of the untimely conduction of exams, late publishing of results by the universities and institutes. Of late, measures are being taken by the governments where rules are being set to conduct exams and publish results within a stipulated period of time. So this has lead to the generation of higher volumes of student satisfaction.

   Regarding *employee satisfaction*, previously it was seen that because Indians always associated education with spirituality, the profit generation motive was missing in this industry. So the average pay package was small. This was a significant reason for employee dissatisfaction in the Indian education sector. But today the circumstances have changed immensely. Now the education industry can be called a sunshine industry in India. So the average pay package has increased, which in turn is promoting employee satisfaction.

   Similarly, positive results have been seen in *development of administrative systems and maintenance of coordination*. Technology has played an important role. With the use of internet and the advancement of the telecommunication boom, India has become an easier place to coordinate, control and communicate, thereby making it the place where the whole world wants to be today.

2) **External Environment:**

   The external environment mainly constitutes of the social, political, economic and technological environment.

   An analysis of the *social environment* of the education industry in India, reveals that there are positives as well as negatives. In the recent past it was easily observable that with the entry of the profit motive in the education sector, the old values have got eroded to some extent. Academicians are still now respected but somewhere the degree of respect has come down. Education has become a professional business in India. Moreover, students in today's age see education as a means of attaining success, as a tool for getting a job and achieving some basic security in life. The positives include the broadening of the perspectives that has increased the scope of previously unheard disciplines like

anthropology, aircrafts engineering, fashion technology, jewelry designing etc. Today, in India it is possible to "sell" subjects like pedology (soil science) and cartography (science of drawing maps). Thanks to the changes in the mindset of the people that's changing the social environment.

Politics also plays a vital role in the growth of the Indian education sector. With the growing strength of India's democracy and political stability, education has reaped advantages. The minds have become peaceful. This is enabling students around the nation study harder than never before. Previously there were not many opportunities for students in terror affected provinces like Assam, Nagaland, Manipur, Mizoram etc. There were not many opportunities in backward provinces like Bihar, Jharkhand, Chattisgarh. With more governmental support regarding acquisition of land and rebate on taxes, new universities and colleges have been set up in these parts of India. More importantly, the measures taken by the governments to minimize politics within the campus are also catalyzing the growth. In this context, the efforts of the West Bengal government in minimizing political activities within the campus of the Jadavpur University in Kolkata are worth mentioning.

The gigantic growth of the Indian economy (per year expanding by 7% approximately) despite a global slowdown had its impact on the education sector, too. Like all other sectors, the Indian education industry also continues to grow. Moreover, the rise in per capita income has enabled millions of Indians to spend more in education. The economic boom has also opened provisions of study in various new disciplines like welfare economics, corporate taxation etc.

Usage of newer and newer technologies is also opening doors of study of newer and newer branches of technology. This is only helping in the expansion of the Indian education sector.

Apart from the positives pointed in this analysis, it should also be mentioned that entry in the Indian education industry is easy but survival is difficult. This is because entry barriers are minimum and there is a state of perfect competition. Moreover, it becomes particularly difficult for foreign organizations who want to enter the Indian education markets as they have to adjust to the psychology of India and the Indians.

Industry Attractiveness Study:

Michael Porter devised "The Theory of Five Forces" with the objective of determining the competitive strength of a business unit. In the light of that theory, the grounds on which the environment of the education sector can be analyzed and a strategy can be formed for a new organization to cater to the Indian education markets are as follows:

1) **Existing competitive rivalry between suppliers:**
   To increase the value of the brand, a new comer has to concentrate **in building partnerships** with existing established brands like say Brainware, CMC, TASMAC, NIIT,

SMU, Symbiosis etc. But before developing alliances it has to be seen that the product/ service level quality of the brands are alike and these brands are operating in the geographical area where the concerned new comer wants to cater. While building new relationships with the customers (in this case the students), the new brand has to directly communicate with the potential customers through **seminars and personal interaction sessions.**

2) **Threat of new market entrants:**
In the Indian education sector at present entry barriers is less. So entry is not a problem. Survival is difficult. To enter the market a new brand has to reach out to the people. For this purpose, **Public Relations (PR)** has to be given importance. Moreover, PR will help building a relation with the existing brands thereby reducing the volume of incumbent resistance. Under such circumstances, a **market survey** is a must as this will help understand the current trends of the markets.

3) **Bargaining power of buyers:**
In the Indian education industry today buyers i.e. the students have a choice and a huge bargaining power. This is because of the presence of a number of players in the market. But the factor that is in favor of a new entrant is the presence of a number of buyers. So a new player in this industry should concentrate in the **delivery quality** of education as that will help to spread the word of mouth, which will help this new entrant to fetch business. It is worth mentioning that importance has to be given to the choice of the buyers. At the initial phase **courses on popular disciplines of study have to be launched** to provide the initial thrust to the business.

4) **Competitive Rivalry:**
A detailed study of the Indian education industry is a must before entering the industry. The number of firms operating in the industry, the capacity and trends of the industry, product service ranges have to be found out. For this purpose, the **R & D department** should be engaged. Then comes the process of fixation of the differentiation strategy.
It will have to be found out what services other players in the industry are offering. A new entrant has to **develop a well-planned USP** and start offering its products to the customers (students) on the basis of that USP.

5) **Threat of substitute products:**
As there is perfect competition in the market, a new comer will have to consider the effects of the threat of the substitute products. While advertising emphasis should be given into **highlighting the advantages of the academic programs** that the new comer wants to conduct. This will help to develop a negative image of the substitutes. Importance should also be given on the fact that although the new comer is a new entrant in India but is **already a globally successful brand or is an acceptable brand in some other field of business.** Branches will have to be opened in areas where the market has not yet been explored.

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