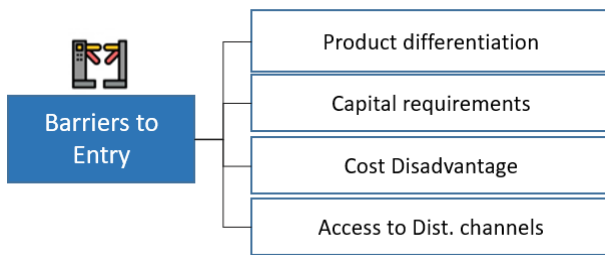


# Appendix 5 Porters Framework

## Threat of New Entrants:

New entrants to an industry aim to acquire market share and substantial resources. The threat posed by these newcomers is depends on the barriers to entry. The following are the major sources to barrier for entry in market SITA aims to enter.



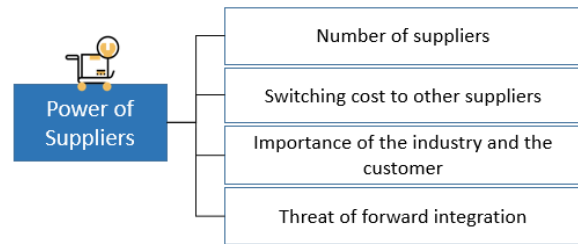
The cruise ship has high barriers to entry. This can be attributed to the three reasons:

1. Financial capital: Keeping in mind the system requirements, developing such a service requires significant capital investment in developing hardware and software systems.
2. Process Complexity: To create a seamless experience between cruise ships and airports, requires connecting objects, people and systems.
3. Network of stakeholders: A new entrant must establish partnerships with multiple actors such as cruise lines, cruise ports, delivery service providers, airports and airlines.

As a large enterprise with experience in baggage management and its existing partnership, SITA can use this to their advantage. By developing and patenting certain technologies SITA may further create cost disadvantages for new entrants.

## Power of suppliers:

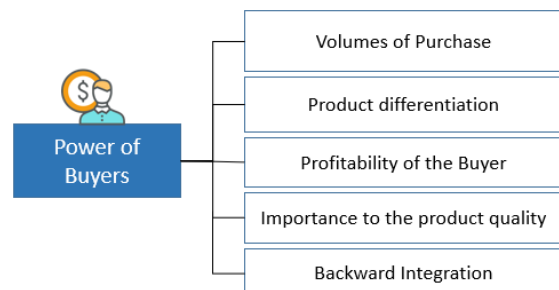
Given the validated assumption that SITA will be outsourcing the baggage delivery service and the long and stable relationship with the existing hardware and software suppliers, this framework considers baggage delivery providers as the focal supplier.



A large number of potential suppliers can be recognised to enable the delivery service. This range from established package delivery companies like DHL and UPS to more disruptive models provided Uber and Eelway. An important dimension in selecting suppliers is the power balance. Suppliers can often exercise power by raising prices or by reducing quality. Further, if the supplier has competencies that closely match SITA, there is a significant the threat of forward integration. To keep the power balance, SITA must also ensure that they are an important customer to the delivery service providers. The nature of the relationship must also be collaborative, which allows for close integration of technology and people between the organizations.

## Power of Buyer:

Buyer or Customers can exercise power by demanding lower prices and higher quality. Certain factors determine the power of the supplier.



Both cruise-lines and cruise passengers are potential buyers. The baggage delivery does not include a high volume of purchase, but a small purchase of high-quality service by luxury segment customers. The services offered to cruise lines must add to their profitability and compliment the service offered by them to their passengers. For the passengers, the service must offer a seamless and hassle free experience. Further it is important to address the threat of backward integration by the cruise-lines. If the service is profitable but easy to mimic and implement, cruise lines are likely to backward integrate into the market themselves. A high-quality service will be crucial in ensuring the customers do not switch to other service providers; and the cruise lines do not backward integrate into the baggage delivery market.

If there are substitutes that provide similar benefits at a competitive price, it creates a substantial threat to the service offering. Delivery service providers (currently observed as suppliers) may forward integrate to offer baggage transfer between cruise ships and airports. Further, luggage shipping companies which provide door to door transfer of luggage like Eelway, Sendmybag and Yamato transport can also be potential threats. A service differentiation strategy (based on both technology and partnerships) can be used to develop and maintain a competitive advantage.

### Threat of Substitutes:

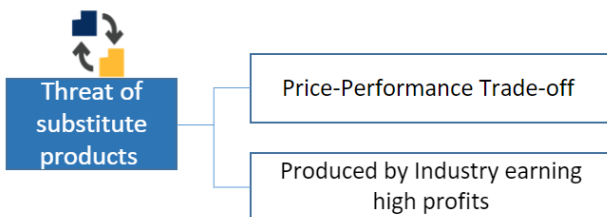


Figure 3. Poters framework