Business Strategy and Management Plan

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INTRODUCTION:

There have been increased cases of cybercrime such as fraud and other malicious activities like stealing or organizational or personal data and identity theft among others. Based on this; organizations are now turning to Artificial Intelligence (AI) to try and combat these threats in a more effective manner. One of the main reasons why I have chosen to use AI is because everyone including organizations has turned to technology for increased brand recognition and efficient services. In this essay, I will use Porter's five forces to analyze the integration of AI in today's activities. AI has proven to have a substantial impact on every aspect of human life, especially in the healthcare sector as companies are trying to implement technologies that are able and effective in diagnosing problems which makes it an ideal example of an IT aspect for this assignment.

Threat of New Entrants:

It has been proven that it might be somehow easier to achieve economies of scale through Artificial Intelligence. Based on this; it will be a lot easier for larger producers of similar products to gain a cost advantage and most importantly; it will make goods easier as well as cost-friendly for new entrants. Therefore, this means that there will be limited as well as weaker competition (Gu, 2019). On the other hand, AI as a product is arguably stronger when it comes to product differentiation because while others are offering standardized services, AI offers what customers want which are differentiated products and services as well. Besides, the increased strong emphasis on advertising as well as customer services makes it even harder for new entrants within the industry which can be a major hurdle towards a company's performance.

One of the major threats for new entrants in this business is the high cost of establishment. Research indicates that due to high expenditures related to this business, it is impossible for those trying to enter the AI market because of the high capital expenditures involved in the business. Artificial Intelligence has high chances of achieving the economies of scale it; hence, fighting those who may be new to the market because it has cost advantage (Gu, 2019). What makes AI stand out is innovation. Besides, the business has the potential to spend on marketing to build strong brand identification which would most likely help in retaining its customers rather than losing them to new entrants.

Bargaining Power of Buyers:

It must be agreed that different ion in products plays a critical role in the competitiveness of a product. In addition, it must be acknowledged that there have been an increased number of those supplying AI products as well as services and therefore, this is an indication that the buyer has limited power when it comes to price decision. Basically, what this means is that because of the differentiation of product and their uniqueness it becomes virtually impossible for the buyer to influence the price of these products as well as services when it comes to the AI industry. The income of the buyers within the industry is low. In addition, the quality of the products must be put into consideration because it is important to the buyers, and therefore such buyers are known to make more than a few purchases which eventually means that the buyers in the industry are less price sensitive. Based on this; it means that the buyer would have less influence on the prices of these products as well as AI services. Lastly, there is no significant threat to the buyers to integrate backward. This makes the bargaining threat of buyers a weaker force within the industry.

Bargaining power of suppliers:

It is clear that there has been an increment when it comes to supply chain in the AI industry is almost comparable to the customers and therefore, this means that the suppliers in this business have limited control over prices. Based on this, it is evident that the supplier has limited or little bargaining power (Liew, 2019). In addition, it is evident that the products that these suppliers supply are deemed to be fairly standardized and with little differentiation as well as with low costs. In addition, it must be acknowledged that product differentiation within this industry is relatively high and therefore this means that buyers are not able to find alternative firms producing a particular product. The income of the buyers within the industry is low. This means that there is pressure to purchase at low prices, making the buyers more prices sensitive. This makes the buying power of buyers a weaker force within the industry (Liew, 2019).

Threat of substitute products:

There is a limited substitute available that can be used to substitute or replace AI products in the market and the few available are being produced by low or unknown earning companies. Therefore, it makes a perfect threat to any new entrant in this industry and substitute products would always be weaker (Wodecki, Wodecki & Harrison, 2019).

The intensity of competitive rivalry:

There is a limited number of competitors in the AI industry and also; the fewer that are readily available are huge producers. Based on this; it means that firms in the industry will not make moves without being unnoticed (Wodecki, Wodecki & Harrison, 2019). In addition; it is clear that the AI industry is growing every year as well as expected to continue growing in the near future due to people's ability to use and rely on AI and companies that want to protect their assets and protect their customers from fraud-related threats (Gu, 2019).

There is increased market competition in the AI industry, and this makes it harder for new entrants in this market due to the related high cost of establishing the business. Therefore, companies in this industry are being prompted to reduce their prices in order to accommodate or attract potential customers towards their AI services and products and therefore, this translates in higher competitiveness rivalry in the AI industry (Lichtenthaler, 2019). There on-going operating of businesses in the AI industry which remains or prompts companies to operate at fixed costs has caused more harm than good to most businesses because companies are forced to operate at low capacities which hinders organizational development and revenue-generating (Lichtenthaler, 2019).

There is strong product differentiation in this market of AI products and therefore, it has become somehow hard for rivals’ companies to win over customers because each company seems to be coming up with new, innovative and unique products every time. Based on this fact; it becomes harder for companies to have stronger competition as well as gain a competitive advantage over each other in the industry. Furthermore, the demand aggregate for these products seems to be diagonal and seems to outmatch the demand in the market and therefore, prompting from an increment of both products as well as customers. Based on this; market rivalry is made weaker by the fact that there is a constant disruption of supply-demand which usually leads to increased and wasted production.

Government rules and restrictions make it harder for companies in this industry to exit because there are more than a few rules and regulation which ties them to the business. Based on this; because of the rules that tie businesses in this industry, it then becomes hard to exit which results in low profit-making ventures and sometimes operating at a loss. Basically; because of the unique product differentiation of products in the AI industry; companies are tied to the business by rule and government regulations which prompt them to stay in the business even if they want to exit which has caused more harm than good to some of the companies providing AI products and services.

References

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