

BUSINESS INNOVATION SYMPOSIUM (E6)
Unique Perspectives of Space Entrepreneurship and Investment (3)

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SUBORBITAL RESEARCH MARKET INDUSTRY STRUCTURAL ANALYSIS

Abstract

This report conducts an initial Industry Structural Analysis (ISA) based on the framework developed by Dr. Michael Porter of Harvard Business School and described in his “Competitive Strategy” text. The ISA framework characterizes the profitability of an industry being dependent on the strength and sources of five predominant forces: (1) the threat of entry by potential entrants, (2) the intensity of rivalry among existing competitors, (3) the pressure from substitute products, (4) the bargaining power of suppliers, and (5) the bargaining power of buyers. The threat of entry by potential entrants is dominated by seven different barrier of entry categories: (i) economies of scale, (ii) product differentiation, (iii) capital requirements, (iv) switching costs, (v) access to distribution channels, (vi) cost disadvantages independent of scale, and (vii) government policy. This analysis intentionally avoids identification of specific firms or detailed proprietary data within the commercial suborbital research market with the intent of avoiding financial or political sensitivities that may be held by members of the industry. An analysis of this nature is not intended to be “the final word” on the subject but a starting point for a discussion by interested members of the industry using a well-defined, baseline structure and vocabulary to facilitate a better understanding and comprehension of the analysis’ observations.

Preliminary results of the suborbital research market analysis indicates that low barriers of entry and low to moderate barriers of exit which, taken together, characterized an industry with low returns and low to moderate amounts of risk.

The summary conclusion of the ISA estimates the strength of the five forces as follows:

- *Force1 : Thethreatofentrybypotentialentrants : ModeratetoLow.*
- *Force2 : Theintensityofrivalryamongexistingcompetitors : Low.*
- *Force3 : Thepressurefromsubstituteproducts : LowtoModerate.*
- *Force4 : Thebargainingpowerofsuppliers : Moderate.*
- *Force5 : Thebargainingpowerofbuyers : ModeratetoHigh.*