A STUDY ON COMPETITIVE ADVANTAGE OF LINKEDINUSING PORTER'S FIVE FORCES MODEL

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Abstract

Porter's Five Forces Model is a widely recognized framework that analyses an industry's competitive environment. This model has been applied to various industries, including the social networking sector, where LinkedIn operates. In this research paper, the application of Porter's Five Forces analysis on LinkedIn is done to provide a comprehensive understanding of the platform's competitive landscape. By using the information from LinkedIn five forces analysis, strategic planners will be able to understand how different factors under each of the five forces affect the profitability of the industry. A stronger force means lower profitability, and a weaker force means greater profitability. This analysis will help identify the key factors that influence LinkedIn's success and the challenges it may face in the future. stay ahead of the curve in the competitive market.

INTRODUCTION

In this unpredictable and volatile business environment, the regional economic variations, the employee and business performances have become a very common feature in the global economy. Various studies and research have been performedto explain the reasons for many regions to achieve a considerably higher rate of growth than others. Therefore, the researchers from several countries started focusing their attention on clusters, regions, and industrial sectors, which have already achieved relatively better economic performance.

In today's digital age, professional networking platforms have become crucial for individuals and businesses alike. LinkedIn, founded in 2002, is a social network platform that connects professionals from various industries and facilitates opportunities for career growth and networking. LinkedIn is the world's largest professional network on the internet. One can use LinkedIn to find the right job or internship, connect and strengthen professional relationships, and learn the skills you need to succeed professionally. People can access LinkedIn from a desktop, LinkedIn mobile app, mobile web experience, or the LinkedIn Lite Android mobile app.

A complete LinkedIn profile can help connect with opportunities by showcasing each individual's unique professional story through experience, skills, and education. One can also use LinkedIn to organize offline events, join groups, writearticles, post photos and videos, and more. LinkedIn is a platform for anyone who is looking to advance their career. This caninclude people from various professional backgrounds, such as small business owners, students, and job seekers. LinkedIn members can use LinkedIn to tap intoa network of professionals, companies, and groups within and beyond their industry.

In this research paper, the application of Porter's Five Forces analysis on LinkedIn is done to provide a comprehensive understanding of the platform's competitive landscape. By using the information from LinkedIn five forces analysis, strategic planners willbe able to understand how different factors under each of the five forces affect the profitability of the industry. A stronger force means lower profitability, and a weaker force means greater profitability. This analysis will help identify the key factors that influence LinkedIn's success and the challenges it may face in the future. stay ahead of the curve in the competitive market.

Based on this analysis study, a judgement of the industry's profitability can be madeand used in strategic planning stay ahead of the curve in the competitive market.

COMPANY PROFILE

LinkedIn is a business and employment-focused social media platform that worksthrough websites and mobile apps. It launched on May 5, 2003. It is now owned byMicrosoft. The platform is primarily used for professional networking and career development, and allows job seekers to post their CVs and employers to post jobs.

LinkedIn allows members (both workers and employers) to create profiles and connect with each other in an online social network which may represent real-worldprofessional relationships. Members can invite anyone (whether an existing member or not) to become a connection. LinkedIn can also be used to organize offline events, join groups, write articles, publish job postings, post photos and videos, and more. As of September 2021 LinkedIn has 774+ million registered members from over 200 countries and territories.

BUSINESS MODEL

LinkedIn operates on a subscription-based business model that offers severaldifferent levels of membership. The basic membership is free and allows for profile creation and basic networking capabilities. The premium membership, however, offers additional features such as enhanced search functionality, access to educational courses, and the ability to send private messages to other members.

CLIENT PORTFOLIO

LinkedIn's client portfolio includes companies and organizations across a range ofindustries and sectors, including:

Technology: companies like Microsoft, Google, and IBM use LinkedIn to find toptech talent

Finance: banks and financial service providers use LinkedIn to connect withpotential clients and to recruit finance professionals

Healthcare: medical centers, hospitals, and healthcare providers use LinkedIn torecruit skilled medical professionals

Education: universities and colleges use LinkedIn to connect with alumni and torecruit faculty and staff

Media: media and entertainment companies use LinkedIn to recruit and connectwith creative professionals, such as writers, producers, and designers.

In summary, LinkedIn is the leading professional networking website that operateson a subscription-based business model. Its primary source of revenue is through its Talent Solutions and Marketing Solutions segments, and it serves clients in a range of industries, including technology, finance, healthcare, education, and media.

CONCEPTUAL FRAMEWORK

Michael E. Porter created the leading Five Forces design and model with an authority to develop a competitive strategy in the competitive analysis application of social, environmental and business activities

Five Forces analysis is frequently used to identify an industry's structure to determine corporate strategy. Porter's model can be applied to any segment of the economy to understand the level of competition within the industry and enhance a company's long-termprofitability.

The Five Forces model is widely used to analyze the industry structure of a company as well as its corporate strategy. Porter identified five undeniable forces that play a part in shaping every market and industry in the world, with some caveats. Porter identified his five forces by dividing them into Horizontal forces (Threat due to new entrants; Threat due to substitutes; and competitive rivalry) and Vertical forces (Buyer's bargaining power; and customer's bargaining power). The Five Forces are frequently used to measure competition intensity, attractiveness, and profitability of an industry or market.

NEED FOR THE STUDY

Industry structure is very dynamic. Industry structure changes over time, andis not static. Over time, buyers or suppliers can become more or less powerful. Technological or managerial innovations can make new entry orsubstitution more or less likely. Changes in regulation can change the intensity of rivalry, or affect barriers to entry. Choices by competition, such as new pricing or distribution approaches, can also affect the path of industry competition.

Porter's Five Forces is considered a macro tool in business analytics – it looks at the industry's economy as a whole industry's economy as a whole

The Porter's Five Forces model can be used to analyse the industry in which LinkedIn operates, in terms of attractiveness through inherent profit potential. Theinformation analysed using the model can be used by strategic planners for LinkedIn to make strategic decisions

RESEARCH OBJECTIVES

To evaluate LinkedIn's industry rivalry and intensity of competition usingPorter's five forces analysis.

To analyze LinkedIn's bargaining power of suppliers and buyers usingPorter's model.

To assess LinkedIn's threat of substitutes using the framework providedby Porter's Model.

To examine the threat of new entrants into the online professionalnetworking industry

SCOPE OF THE STUDY

The scope of the study would be to analyze the competitive advantage of LinkedInin the social networking industry using Porter's five forces model. The study wouldfocus on understanding the impact of the five competitive forces, namely, the threatof new entrants, bargaining power of suppliers, bargaining power of buyers, threatof substitute products or services, and competitive rivalry within the industry on thecompetitiveness of LinkedIn.

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The research would be conducted by gathering information from primary and secondary sources, including previous published articles academic literature, and social media platforms. The study also involves conducting a survey withLinkedIn's users to gather insights on the company's competitive advantage.

STATEMENT OF THE PROBLEM

The problem statement for the research report would be to identify and evaluate the competitive landscape and market dynamics of LinkedIn, one of the leading professional networking platforms worldwide, through a comprehensive analysisusing Porter's Five Forces framework. The study aims to understand the competitive strengths and weaknesses of LinkedIn, the bargaining power of its customers, suppliers, and competitors, the threat of new entrants and substitutes, and the impact of industry regulations and technological advancements on LinkedIn's business model and market performance. Based on the findings,recommendations can be made for LinkedIn to enhance its competitive advantage,sustain growth, and improve its position within the industry.

RESEARCH METHODOLOGY

The study is based on descriptive quantitative research. A survey that was conducted by sending a questionnaire via google forms to the respondents is used for primary data collection. The questionnaire was prepared based on available information and also considering the five factors of porter's model. A total of 99 responses were collected.

DATA COLLECTION

For this study, the primary data is collected through a questionnaire designed in view of the topic of research study. The questionnaire is framed to analyse LinkedIn's competitive advantage from a customer's point of view. The questionsare framed factoring in the dimensions of the porter's five forces model i.e., threatof new entrants, power of suppliers, power of consumers, threat of substitutes, andcompetitive rivalry.

For this study, secondary data has been collected from numerous sources mainly from articles and magazines and articles of previous studies on similar topics.

SAMPLING

For this study, convenience sampling technique is used. The questionnaire was sent only to LinkedIn users in Chennai. The sampling only included users of LinkedIn.

SAMPLE SIZE

the sample size is the measure of the number of individual samples used in an experiment. For this study the number of respondents is 99.

STATISTICAL TOOLS

Percentage analysis and Factor Analysis has been done on the questionnaire responses to identify the strongand weak factors of the five forces with regards to LinkedIn

FACTOR ANALYSIS: Showing component matrix

Component Matrix

particulars	Component						
	1	2	3	4	5	6	7
Similar servicesencounter	.130	.616	-.177	.207	.278	.221	.101
Threat to LinkedIn	-.575	.225	.002	-.095	-.167	-.287	.048
New entrants	.089	-.517	.397	.420	-.091	-.088	.234
Content and quality	.766	.186	-.144	-.210	.072	.083	.143
communication	.789	.193	-.088	-.156	-.151	.205	-.179
Information access	-.179	.277	.193	-.234	.308	.504	-.360
transparency	.522	-.032	-.436	-.263	.144	-.359	-.047

customer support	-.468	-.406	-.226	.243	.439	-.225	-.028
using mobile app	.332	.168	.008	-.338	.281	.101	.722
relationship withLinkedIn	-.594	.439	-.131	-.286	-.081	-.048	.154
frequency	.193	.039	.252	.145	.625	-.347	-.092
premium features	.350	-.293	.386	-.555	.115	-.371	-.210
professionalnetworking	-.708	.118	-.023	-.149	-.112	.067	-.339
engagement	-.626	.176	.035	.200	-.054	.164	.308
alternate platforms	.313	.641	.262	.376	-.079	-.393	-.174
Platform name	-.160	-.656	-.457	-.275	.244	.233	-.082
user experience?	.597	-.189	.050	.316	-.143	.410	-.171
Switching platforms	-.013	-.736	.301	-.004	-.118	.120	.130
reasons	.222	.036	.611	-.114	-.283	.035	.083
recommendation	.337	-.080	-.552	.601	-.016	-.046	-.027
factors	-.124	.099	.524	.202	.588	.239	-.029

INTERPRETATION

The above table shows the component matrix which is the correlations of all the variables with each factor. A few key factors have been identified from the above component matrix. They are:

THREAT OF NEW ENTRANTS

The variables correlation with this factor are
- Similar services encounter
- Threats to LinkedIn
- New entrants

From the data inferred from percentage analysis, it is shown that 70 percent of therespondents have not encountered any competitors that offer similar services. Therefore, there is no major threat of new entrants and this is a strong factor.

POWER OF SUPPLIERS

The variables in correlation with this factor are
- Content and quality
- Communication
- Information access
- Transparency
- Customer support

From the data inferred from percentage analysis, it is shown that 65 percent of therespondents are satisfied with LinkedIn's content quality, and communication features. 72 percent agree that the platform is fair and transparent. Since there is a big difference in the majority, it is inferred that the power of suppliers is a strong factor

POWER OF CONSUMERS

The variables in correlation with this factor are
- Ease of mobile app
- Relationship with LinkedIn
- Frequency

- Premium features
- Professional networking
- Engagement

From the data inferred from percentage analysis, it is inferred that 84 percentof the respondents are regular users of LinkedIn and about 48 percent use itweekly. However, only 36 percent use LinkedIn's premium features and services. 57 percent have not considered purchasing Premium. Therefore, itis incurred that this a weak factor.

THREAT OF SUBSTITUE PRODUCTS OR SERVICES
The variables in correlation with this factor are

- Alternate platforms
- Platforms name
- User experience

From the data inferred from percentage analysis, it is inferred that 40 percent of respondents have used other platforms most of which includes Glassdoor, Hirect, and Naukri. 57 percent agree that LinkedIn's user interface is far superior to these platforms. It is incurred that there is no major threat of substitute products or services to LinkedIn and it is a moderate factor as alternate platforms are also beingused.

COMPETITIVE RIVALRY
The variables in correlation with this factor are

- Switching platforms
- Reasons
- Recommendations
- Factors

From the data inferred from percentage analysis, it is inferred that 70 percent of the respondents do not consider switching to an alternate platform because LinkedInhas good job opportunities, user- friendly interface and more relevant content. It isincurred that this is a strong factor.

FINDINGS
- From the data collected it is evident that a majority are satisfied with LinkedIn and it's products and services and would recommend it to others as well.
- Considering all the five factors of porter's model, the weak factor is threat of substitute products or services.
- While a majority of respondents prefer using LinkedIn in comparison, there is a slow rising competition with alternate platforms that are capable of offering similar or better services.
- The component matrix incurred from factor analysis identified five factors in correlation with variables.
- The five factors are the threat of new entrants, power of suppliers, power of consumers, threat of substitute products, and competitive rivalry.
- Comparing the factor and percentage analysis, it is evident that there are strong ,moderate and weak factors.
- From the data inferred from percentage and factor analysis, it is incurred that thefactors of Threat of new entrants, Power of consumers, and competitive rivalry. A majority of the respondents have not encountered competitors to LinkedIn thatoffer similar services, and the users are extremely satisfied with LinkedIn's content and quality , and it's communication features. A majority of the respondents agree that LinkedIn has better job opportunities, user- friendly interface and more relevant content. There is no major threat of new entrants andrival competition. These are very strong factors of LinkedIn.
- From the data inferred from percentage analysis, it is evident that a majority of respondents agree that LinkedIn is superior to other platforms however they alsouse other platforms like Glassdoor, Naukri, and Hirect. There is a slow rising of alternate networking platforms which may pose a threat in the future. Therefore this is a moderate factor of LinkedIn.
- From the data inferred from percentage analysis, it is inferred that a majority of respondents are regular users of LinkedIn , but they are not satisfied with premiumpricing and other several features. The power of bargaining of consumers is veryhigh. Therefore this is a weak factor of LinkedIn

FINDINGS AND SUGGESTIONS

- Focus on personalized content: LinkedIn can provide personalized content to its users based on their interests and connections. This can make the platform more engaging and useful, leading to increased user retention.
- Increase the number of skill assessments: LinkedIn can develop and offer more skill assessments to its users. This can help users showcase their expertise and attract potential employers or clients.
- Offer more premium services: LinkedIn can offer more premium services, such as personalized coaching,

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resume review, or job application support. This can attract users who are willing to pay for such services, thereby increasing revenue.

• Expand to new markets: LinkedIn can expand to new markets, such as emerging economies, where there is a large potential user base. This can help the platform to grow and increase its competitive advantage.

• Improve its algorithm: LinkedIn's algorithm can be improved to provide more relevant and accurate search results to its users. This can enhance the user experience and increase the platform's appeal.

CONCLUSION

LinkedIn's competitive advantage lies in its strong brand recognition, vast user base, and unique features that make it a valuable resource for professionals worldwide. However, the company faces challenges from emerging players and increased competition from tech giants like Google, which pose a threat to its market dominance.

To maintain its competitive edge, LinkedIn must continuously innovate and enhance its products and services to meet the evolving needs of its users, foster strategic partnerships, and expand its geographic reach. Additionally, the companymust remain vigilant in monitoring industry trends and developments to stay aheadof emerging threats and capitalize on new opportunities. Overall, the Porter's Five Forces analysis provides valuable insights into LinkedIn's position in the market and serves as a useful tool for evaluating the company's strategic decisions.

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