1. Barriers of Entry

In the cell phone industry the threat of new entrants is low. The startup cost for wireless carriers are extremely expensive. In order to invest, a great amount of principal is required to obtain the economies of scale. It is difficult to enter the market with existing firms already operating on cost and differentiation strategies. The wireless communication industry is highly concentrated. Almost, 75% of the market is controlled by AT&T, Verizon, and Sprint which makes it difficult for the new entrants to come and compete in the market.

1. Barriers of Exit

In the cell phone industry there are many exit barriers. The company has invested quite a bit of money at the beginning of the company to increase market share, entice new customers, and have a good product line. Typically it takes a long time to recoup this investment. If a cell phone company were to terminate too soon, they would never have been at a break-even point.  Also, it might be very difficult to sell the current organization depending on how successful the company is currently. Yes, we hear of recent mergers and acquisitions in the cell phone industry but these are not as regular as other industries.  Since cell phone companies rely on a 40% or more customer attrition rate (very high compared to most other industries) a company that is leaving the industry and being sold to another may lose many customers and this will make the company not "worth as much" as an acquisition.

1. Customer Buyer Power

The bargaining power of buyers is moderate. It is common for the wireless communication industry companies to require a contract from the buyers in order to create and control switching costs in case customers decide to switch to another company. The early termination fees posted by wireless companies hurt buyers. Buyers feel locked out because of the fact that they would have to pay $150 to $250 dollars early termination fees per wireless line. This makes consumer reluctant to change to other carriers had they want to change for lower price or better service.

Buyers do have other options for other wireless carriers such as the prepaid services, which fulfills the need of using wireless communication the same way. The option to use the prepaid wireless service allows consumer to use the wireless service without having to worry about signing contracts, early termination fees, and being locked out with one wireless carrier. Many consumers are beginning to use to prepaid services, which allows them to have some power in terms of power of buyers.

d. Supplier Selling Power

The bargaining power of suppliers in this industry is low. Wireless companies such as AT&T, Verizon, and Sprint demand high volume orders from their suppliers. These wireless companies seek orders that have the latest technologies and more features on the products. The demand and requirements from these wireless carriers threaten to increase the pressure on suppliers. The pressure on suppliers pushes them to enhance their innovation and productivity to the industry. It builds trust and keeps the companies to thrive to their utmost to bring to their consumers. Suppliers have to make sure that the wireless carrier’s demands are being met according to the orders that they receive in order to keep their business with companies such as AT&T, Verizon, and Sprint or else they will lose their business. Therefore, supplier’s bargaining power is low.

e. Product Substitutes

The threat in this industry is moderate and seems to be increasing. There are alternatives for the industry’s products. Similar products in the wireless communication industry give access to consumer for alternative products. The substitute product offers the same kind of service, which causes threat. Other substitute for wireless communication is landline, which is slowly decreasing, but still gives an alternative to the wireless communications. The other substitutes for the wireless products are written communications such as e-mail, social networking sites, and chat alternatives which are easily attainable at lower or no prices. As the technology advances, it is much more accessible and possible to use internet and portable laptops as means of free communication that could easily be a substitute for wireless network services. An example would be Skype program, which is used all over the world at no cost communication service through the means of Internet. It has advantage with features that shows a visual image of the person you are having the conversation with.

f. Competitive Rivalry

The competitive rivalry among the three wireless carriers Verizon, AT&T, and Sprint is high. There are 22 other competitors in the industry, which makes the competition intense. One of the competitors is U.S Cellular and T-Mobile. Verizon, AT&T, and Sprint are one of the three best wireless carriers in the industry. Verizon is the nation’s largest wireless provider that dominates the industry, AT&T is the second largest, and then Sprint the third largest. There is a number of prepaid wireless providers such as Metro PCs and other ones that also compete for a market share in the wireless industry. Mergers lead to concentrated pricing power in the hands of fewer companies. The merger of AT&T and T-Mobile is considered to be one of the biggest mergers surpassing Verizon who currently has the highest subscriber of 102.2 million. The competition is weakens when one wireless carrier company acquires another wireless company. Companies in this industry are competing in advanced communication technology. Similar products and services that are being offered in the industry make the competition more intense. Many companies try to attract buyers through the means of lowered cost and improved products thus creating tremendous industry rivalry.