Porter's Industry Analysis of 5 Forces includes Rivalry among existing competitors, threat of substitutes, bargaining power of buyers, bargaining power of suppliers, and threat of new entrants. We will apply these five considerations in analysis of Power One. This paper will also evaluate the industry from the perspective of the cage model.

There is strong rivalry among the existing players in the solar inverter market. There have been many failures and previous competitors put out of business. There is strong competition among numerous remaining players such as SMA Solar, Schneider, Power One, Kaco, Eaton, Emerson, etc. The market is expected to grow at a CAGR of 8.9% in the next 5 years due to increasing solar consumption according to PV Magazine. Further, technological advancement in this space due to extensive R&D investment by leading firms is also contributing to the growth. However, the slowdown in European market has negatively affected the growth of the solar inverter market. The Americas and Asia will see strong growth for solar inverter products and major players need to establish presence in these markets in order to remain competitive as well as to ensure strong growth in sales.

The threat of substitutes for solar inverter industry is quite high because solar technology is still not proven yet in terms of reliability and the penetration rate of solar inverter is still quite low. Consumers have the option to opt for regular inverters rather than going for solar based inverters due to various factors such as low reliability, high cost of maintenance, etc. Further, solar inverter can be replaced by other renewable energy sources as well. Hence, in order to address the threat of substitutes, companies need to focus on improving reliability, functionality and reduce cost of these devices.

Bargaining power of buyers is high in this industry because of numerous factors such as availability of substitute products in front of buyers as well as low switching costs. Buyers can move to other brands as well as possess adequate information about availability of products from different vendors.

Bargaining power of suppliers can be termed as low in the industry as supplier base is very fragmented and industry players have numerous options to choose from in terms of securing raw materials and supplies for manufacturing their products. Suppliers are dependent on large buyers for sustaining their sales. The market for solar products saw tough times due to decline in demand from European markets and thus, supplier base are seeking longer term relationships with strong buyers to sustain their growth rate. Reputed and well-known brands can afford to bargain good terms from suppliers in lieu of offering them stable, long term business.

Threat of new entrants is low because the industry is already becoming more and more fragmented and competitive and it is very challenging for a new player to establish its brand and offer competitive pricing by attaining economies of scale. It is already becoming challenging for existing players to enter newer markets due to strong presence of local competitors in each of these markets and thus, the possibility of a new entrant to make a strong impact on the market seems to be low in this industry.

If we evaluate the industry from the perspective of CAGE Model, economic distance plays a major role in evaluating attractiveness of different markets. The demand for solar products such as solar inverters is expected to grow strongly on those countries that possess adequate infrastructure and knowledge for promoting solar industries. Further, the government of these countries should promote solar industry by providing requisite subsidies and other forms of financial assistance. Hence, it is imperative for the industry to evaluate various international markets by using the "economic distance" factor.

Similarly, administrative distance can also play a major role in evaluating the attractiveness of markets. For example, India may look attractive for solar PV manufacturers from cultural distance and economic distance perspective, but may not be too attractive for solar companies due to numerous issues such as corruption in government, bureaucracy and delays in approvals and decision making in the government, etc. Even though government is promoting solar industry by providing subsidies, the administrative and bureaucratic hurdles is preventing the potential growth of industry in this country.

Cultural distance can also play a major role in evaluating the attractiveness of different solar markets. For example, China is a difficult country to explore growth opportunities due to extremely different cultural norms, language barriers, etc. Further, the existence of numerous local competitors in various markets who understand local culture and markets extremely well create strong entry barriers for overseas manufacturers.

The solar industry is not big and hence, the size of a market also plays a very major role in evaluating the attractiveness of markets and thus, geographic distance comes into play in evaluating such markets. Companies do not like to explore opportunities in markets where competition is high and the small size of markets do not permit adequate economies of scale to solar manufacturers. As the market size grows, these markets may become attractive for overseas companies.

The market for solar inverters will continue to grow due to numerous factors such as increased consumption of solar products and increased focus on renewable energy sources. The expected CAGR of 8.9% in the next 5 years can be easily achieved due to various growth drivers such as improved technology and reliability of solar products, government incentive to promote solar products in numerous emerging markets such as India, increased awareness about the benefits of using solar products, etc.

The company's technology is very strong and the acquisition of the company by ABB provides the company with enhanced reach, brand value and financial strength to explore opportunities in the global market. Power one already enjoys strong reputation in the market and it can further enhance its market share by leveraging on the strength of its new parent, ie, ABB. ABB is a large multinational and can use its market presence to boost the growth of Power One.

References:

1) <http://www.energetica> india.net/download.php?seccion=articles&archivo=75KUQkTbT3KMrrBoZZPkKZtMyGMEGVoBOzWfYq7rhF5Ox73MUHwehfq.pdf

2) https://etd.ohiolink.edu/!etd.send\_file?accession=case1301506263&disposition=inline

3) http://solarbridgetech.com/inverter-market-19-billion-by-2017/

4) http://www.solarserver.com/solar-magazine/solar-news/current/2014/kw15/ihs-asian-pv-inverter-makers-gain-market-share-in-2013.html

5) http://www.pv-magazine.com/news/details/beitrag/fall-in-market-share-for-top-ten-pv-inverter-suppliers\_100011132/#axzz330RtA969