

Porter's Five Forces

Threat of New Entrants

Supplier Power

Competitive Rivalry

Buyer Power

Threat of Substitution

Porter's Five Forces

Porter's Five Forces Model is a strategic framework developed by Michael E. Porter to analyze the competitive dynamics of an industry. It helps businesses assess their market position and profitability by examining five key forces that shape competition.

The model is used to:

- ✓ Identify threats and opportunities in an industry
- ✓ Understand how competitive pressures affect profitability
- ✓ Develop strategies to gain a competitive advantage

Supplier Power

What to Look For:

- Number of suppliers vs. industry demand
- Uniqueness of supplies and switching costs
- Ability of suppliers to integrate forward

Impact:

- High Power Suppliers control pricing, reduce margins
- Low Power Businesses have leverage, better terms

Competitive Rivalry

What to Look For:

- Number of competitors and market saturation
- Price wars, differentiation, and switching costs
- Industry growth rate and profitability

Impact:

- High Rivalry Lower profits, intense competition
- Low Rivalry Easier to maintain pricing power

Threat of New Entrants

What to Look For:

- Barriers to entry (cost, regulations, brand loyalty)
- Ease of access to suppliers and distribution
- Economies of scale for existing players

Impact:

- High Threat More competition, lower profitability
- Low Threat Established firms maintain dominance

Buyer Power

What to Look For:

- Number of buyers vs. available competitors
- Price sensitivity and switching costs
- Ability of buyers to integrate backward

Impact:

- High Power Customers demand lower prices, better service
- Low Power Companies retain pricing power and loyalty

Threat of Substitution

What to Look For:

- Availability of alternative products/services
- Cost and ease of switching to substitutes
- Performance advantages of substitutes

Impact:

- High Threat Customers shift away, reducing industry demand
- Low Threat Industry remains stable, lower risk of loss

To get a complete picture, rate each force as Low, Medium, or High based on your analysis. The overall competitive pressure depends on the combined strength of these forces:

- High overall pressure → Industry is unattractive, with low profitability.
- Moderate pressure → Some opportunities exist, but strategic positioning is key.
- Low pressure → Industry is attractive, with strong profit potential.