

Lab Five Forces Analysis and Strategy Worksheet

Force	Considerations
Entry	The threat of new entry is low as establishing a new solar heating company is expensive due to high fixed start-up costs. This creates a significant barrier to entry, which is a positive force for SRU.
Threat of Substitution	High. The main substitutes are conventional heaters with lower upfront costs. Our key challenge is to prove superior lifetime value by emphasizing metrics from the scenario: a payback period of 3 to 6 years and energy bill savings of 50-80% .
Bargaining Power of Buyers	Moderate to High. Buyers are price-sensitive and can easily compare products on Amazon, Home Depot, etc. Commercial buyers specifically seek to reduce their COGS. However, high demand and our goal to cut installation wait times by 50% give us some leverage against price pressure.
Bargaining Power of Suppliers	High. Suppliers have the "upper hand" as SRU and competitors like GE and Rheem compete for the same raw materials (panels, tanks, copper). This directly threatens our margins and supply chain stability.
Rivalry Among Current Competitors	High. The market is crowded with strong, established rivals (GE, Rheem, Bosch). Our stated goal to "increase the current SRU market share by 20% " will require aggressive tactics and will certainly provoke a competitive response.

Part II: Strategy Options

Porter Recommends three potential strategies to deal with the Five Forces.

Option	Viability
Overall Cost Leadership	Not our primary strategy. Although we are aiming for a 10% savings over competitors, high supplier power makes it difficult to be the absolute cost leader. This strategy is also at odds with our significant R&D investments and our aggressive goal of a 40% ROI in Year
Differentiation	This is our core strategy. We will win by emphasizing unique features backed by data: our groundbreaking panel technology, an engineering goal to improve efficiency by 25% , a user-friendly management app, and an environmental benefit equivalent to 100 planted trees annually per system. This justifies our value and counters the high rivalry.
Focus	A supporting strategy. We will use "focused differentiation" by creating tailored marketing and product configurations for our two primary market segments: " home or apartment owners " and " commercial businesses ." This ensures our message about unique benefits resonates strongly with each target audience.