INDEX:INT/21/01/1021

One way to analyze your competition and determine your industry standing is to use Porter’s model, also known as Porter's Five Forces, is a framework used to analyze the competitive environment in which a company operates. By understanding these forces, a company can identify its strengths and weaknesses and develop strategies to create a competitive edge

Here's how you can apply Porter's model to your organization:

1. **Competitive rivalry:**

This force examines marketplace competition intensity. It considers the number of existing competitors and what each one can do. Rivalry competition is high when these conditions are met:

* Only a few businesses sell a product or service.
* The industry is growing.
* Consumers can easily switch to a competitor’s offering for little cost.

When rivalry competition is high, advertising and price wars ensue, which can hurt a business’s bottom line. **Example**: Walmart has a significant reach, a strong brand identity, a physical and online presence, and low prices that make it difficult for small challengers in the retail space to compete. However, Walmart does face sustained challenges from large, established competitors such as Target, Costco and Amazon. Overall, Walmart faces a moderately competitive rivalry space.

1. **The bargaining power of suppliers:**

This force analyzes a supplier’s power and control over price increases. When a B2B vendor has extensive control over pricing, their client business’s profit margins can suffer.

This force also assesses the available number of suppliers of raw materials and other resources. The fewer suppliers in the supply chain there are, the more power they have. Businesses are in a better position when there are many suppliers. **Example:** A diverse supplier base limits supplier bargaining power. Additionally, due to Walmart’s size, purchasing power and consumer reach, each individual supplier exerts very little influence on the company.

1. **The bargaining power of customers:**

This force examines consumer power and its effect on pricing and quality. Consumers have power when there are fewer sellers because they can easily switch to another seller. Conversely, buying power is low when consumers depend heavily on a single seller. When a business has more customers, the buying power of each individual customer is low. **Example :** Walmart has a massive customer base of small buyers, weakening the power of any single customer and granting the company significant leverage. The company’s low prices, established locations and online presence further reduce the power of any single customer. However, customers can switch to other retailers at little or no cost, affording them some power. Overall, buyer bargaining power is medium to low.

1. **The threat of new entrants:**

This force considers how easy or difficult it is for competitors to join the marketplace. The easier it is for a new competitor to gain entry, the greater the risk that an established business’s market share will be depleted. Barriers to entry include absolute cost advantages, access to inputs, economies of scale, and strong brand identity. **Example :** Walmart maintains a substantial edge in sales, marketing, distribution and established business locations. It also has a highly developed and deployed online presence to complement its physical locations. Due to its size and established network, Walmart also has the advantage of selling to multiple customers while being able to purchase at scale from various suppliers. All of these factors, as well as the established nature of large rivals such as Amazon, make the threat of new entrants low.

1. **The threat of substitute products or services:**

This force studies how easy it is for consumers to switch from a business’s product or service to a competitor’s offering. It examines the number of competitors, how their prices and quality compare with the business being examined, and how much of a profit those competitors are earning — which, in turn, would determine if they can lower their costs even more. The threat of substitutes is informed by switching costs, both immediately and in the long term, as well as consumers’ inclination to change. **Example :** Walmart’s economies of scale, reach and size ensure it carries almost all brands and products a customer would like, with the exception of specific in-house brands that its rivals offer. Even then, Walmart can leverage economies of scale to offer products and a range of substitutes at low costs. As such, the threat of substitute products is low**.**