Porter’s model on competitive forces is made up of five different parts: competition in the industry, potential of new entrants, power of suppliers, power of customers, and threat of substitutes. According to CGMA, this theory is based on the concept to determine the competitive intensity and attractiveness of a market. The theory can also show where the power lies in a specific market.

Competition in the industry can drive suppliers and prices to a certain level. In the era of high-speed internet, ISP’s have come to somewhat of an agreement on price levels and variations of products. The change in laws has increased the threat of substitutes in the past year with companies like Google and AT&T scrambling to install fiber optic cable wherever they can. With newer technologies and increased levels of competition from the IPS’s the speed of our internet is getting its biggest increase in years.

The potential of new entrants has been nearly destroyed by the big companies, they have all the infrastructure and equipment needed to halt the progress of any new small firm that wants to get into the high-speed internet business. The only real threat to them is a change in the law or a breakup of a big firm.

The supplier power, how easy it is for the suppliers to drive up prices, has been increased recently and is another reason why companies what to install fiber optic. If they install the cables only their customers can use them, this allows the firms to set prices how they see fit in an area. The power of customers is still there. It is possible for only one firm to be in your area, but in most places, there is at least two. In these areas the customers will choose the ISP that they see is the best. In these areas, the people have more power.

With the rapid growth of the internet and the increased demand for faster speeds, Porters model can be used to analyze the businesses and competition in many ways. As more people get their hands on high-speed internet the demand will only continue to grow.

Sources:

“Porter's Five Forces of Competitive Position Analysis.” CGMA, 11 June 2013, www.cgma.org/resources/tools/essential-tools/porters-five-forces.html.