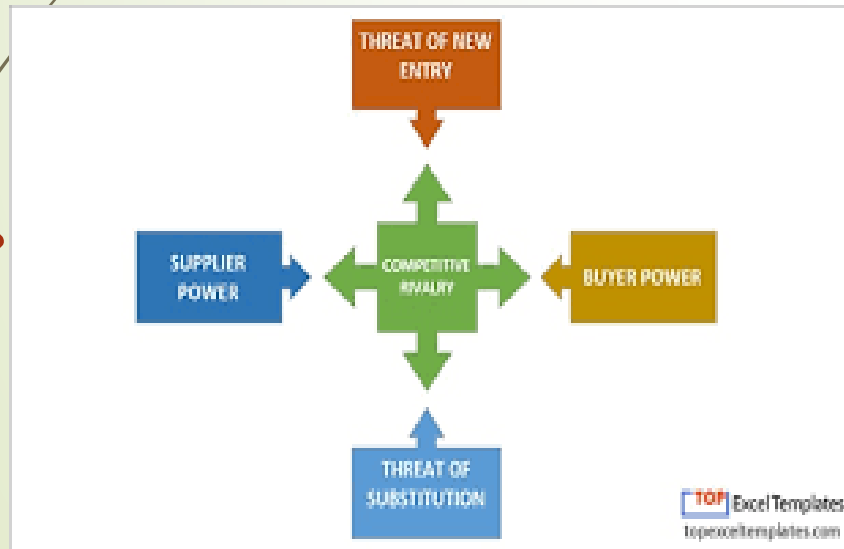


# Chapter 4

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## Porter Five Forces

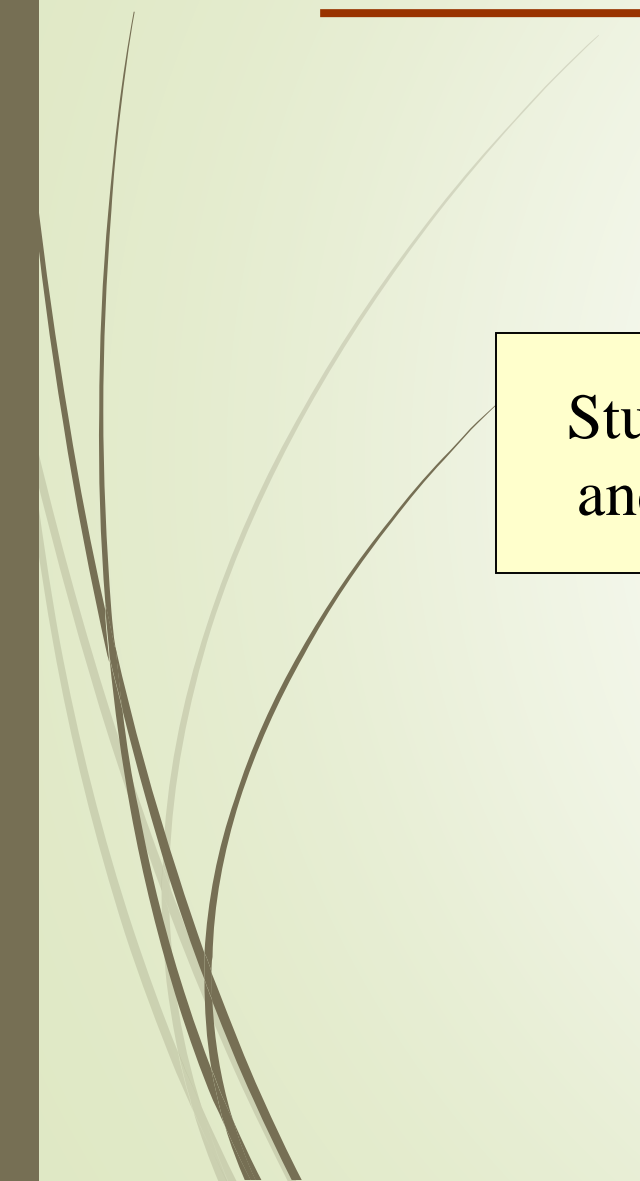


# Techniques Available to Assess Industry Attractiveness



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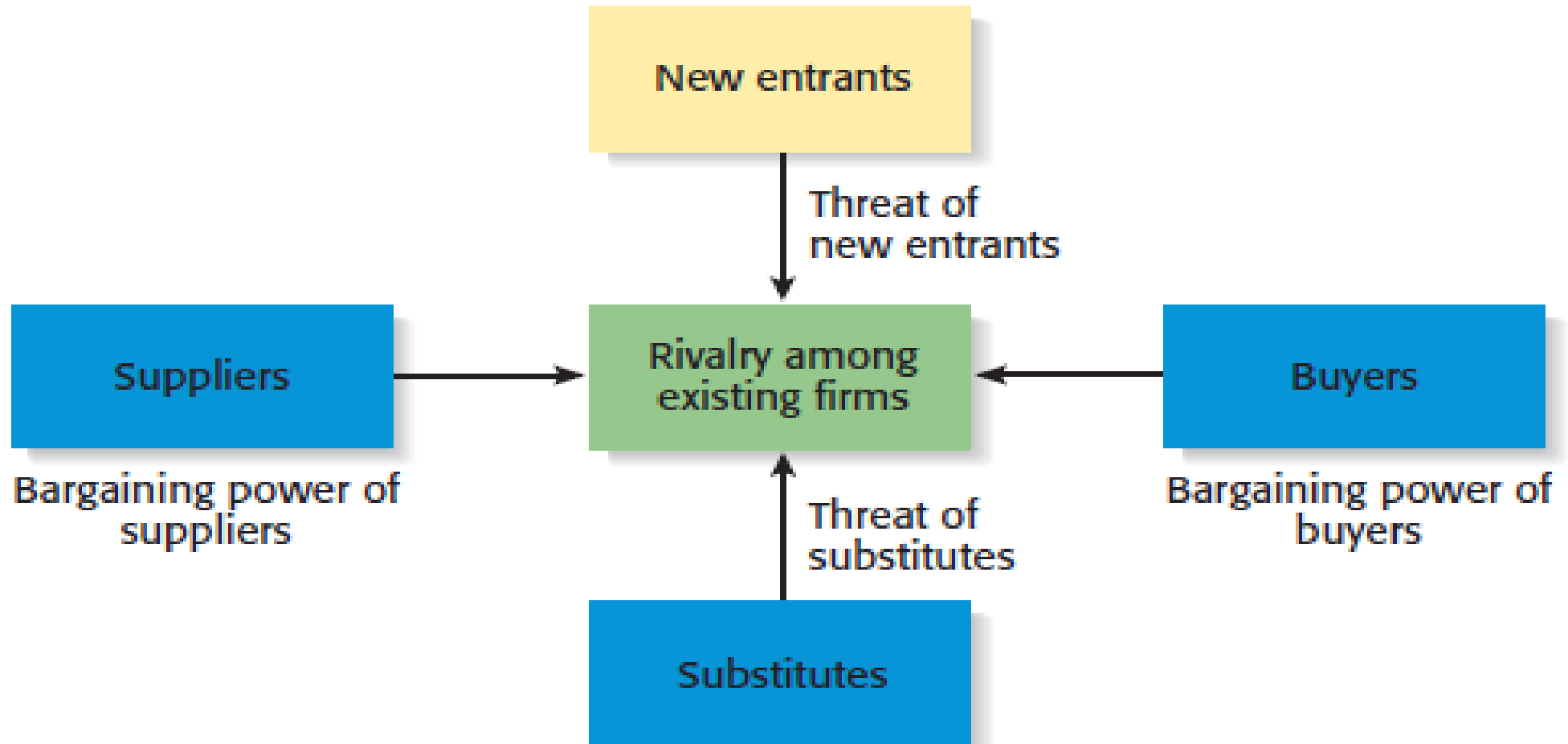
## Assessing Industry Attractiveness



Study Environmental  
and Business Trends

The Five Competitive  
Forces Model

# The Five Forces Model





# Porters Five Forces ...

- \* Rivalry among Competitors
- \* Threat of Entry
- \* Development of Substitute Products or Services
- \* Bargaining Power of Suppliers
- \* Bargaining Power of Buyers



# *Rivalry* among competitors

... intensity increases as

- \* *The number of competitors increases or they become equal in size.*
- \* *Demand for the industry's products declines or industry growth slows.*
- *Fixed costs or barriers to leaving the industry are high.*
- *Degree of differences between products are Low (Homogeneous product)*



# Summary ...

*As rivalry among competing firms **intensifies**, industry profits **decline**, in some cases to the point where an industry becomes **inherently unattractive**.*



# Threat of New Entrance...

- ... large capital requirements or the need to gain economies of scale quickly.*
- ... strong customer loyalty or strong brand preferences.*
- ... lack of access to raw materials.*
- .... Patented technology*





# *Substitute* products ...

... competitive strength high  
when

- \* *The relative price of substitute products declines .*
- \* *Consumers' switching costs decline.*
- \* *Competitors plan to increase market penetration or production capacity.*





# Power of *Suppliers* ...

... high when

- \* *A small number of dominant, highly concentrated suppliers exists.*
- \* *Few good substitute raw materials or suppliers are available.*
- \* *The cost of switching raw materials or suppliers is high.*



# Bargaining Power of **Buyers** ...

... high when

- \* *Customers are **concentrated**, large or buy in volume .*
- \* *The products being purchased are **standard or undifferentiated** making it easy to switch to other suppliers.*
- \* *Customers' purchases represent a **major portion** of the sellers' total revenue.*

# Question & Answer



YOU'RE  
VERY TALENTED  
*BUT*

**Talent is  
NOTHING  
WITHOUT PASSION**

**DON'T OVER THINK YOUR IDEAS.**

*Nothing* IS GONNA HAPPEN WITHOUT  
YOU DOING IT.

**So,**

**DO WHAT YOU REALLY LOVE  
& LOVE WHAT YOU'RE DOING**

**BECAUSE TIME JUST FLIES.**

*"DON'T GIVE UP EASILY."*

