Worksheet on Industry Structure

Threat of new entrants/Entry barriers *(How difficult is it for someone to come into the industry)*	*Yes (+)*	*No (-)s*
1. Do large firms have a cost or performance advantage?		
2. Are there any proprietary product differences?		
3. Are there any established brand identities?		
4. Do your customers incur any significant costs in switching suppliers?		
5. Is a lot of capital needed to enter the industry?		
6. Is serviceable used equipment expensive?		
7. Does a newcomer face difficulty accessing distribution channels?		
8. Does experience help to continuously lower costs?		
9. Is there a significant learning curve?		
10. Does the newcomer have problems obtaining resources/supplies?		
11. Are there any licenses, insurance or qualifications which are hard to get?		
12. Can a newcomer expect strong retaliation on entering the market?		
13. Are there economies of scale in the business?		

+ is anything that is favorable to industry participants while - makes it unfavorable. For entry barriers, anything that makes it easy for a company to enter the market would be a -'ve while anything which makes it more difficult to enter the market would be a +ve.

Bargaining power of buyers *(who gets to call the shots, you or customers)*	*Yes (+)*	*No (-)s*
1. Are there a large number of buyers relative to number of firms?		
2. Are there a large number of customers each with small purchases?		
3. Does the customer face significant costs in switching suppliers?		
4. Does the buyer get only limited information to make the decision?		
5. Is there anything which prevents customers from integrating?		
6. Are customers insensitive to price/price inelastic?		
7. Are the products unique/have accepted branding?		
8. Are customers businesses profitable?		
9. Are valued incentives provided to decision-makers?		
10. Is the product/service a large amount of overall costs for customers?		
11. Does the product/service save the customer a lot of money/time?		

+ is anything that is favorable to industry participants while - makes it unfavorable. For bargaining power of buyers, anything that gives customers power to force changes or prices on companies is a -'ve while anything which gives the firms power to dictate prices and terms would be a +ve

Bargaining power of suppliers	*Yes (+)*	*No (-)s*
(who gets to call the shots, you or suppliers)		
1. Are inputs (materials, labor, supplies) standard rather than unique?		
2. Can companies switch quickly and cheaply between suppliers?		
3. Is it difficult for suppliers to integrate forwards?		
4. Can firms in the industry substitute inputs easily?		
5. Are there few companies each with large purchases?		
6. Is there a large number of suppliers relative to number of firms?		
7. Is the purchase of one type of supply a low influence on overall costs?		

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Threat of substitutes	*Yes (+)*	*No (-)s*
(Are there other products/services which do similar things))		
1. Is the customer likely to stick with industry products/services?		
2. Are there no substitutes?		
3. Will customers incur significant costs in switching to the substitute?		
4. Do substitutes have performance limitations?		
5. Are substitutes more expensive?		
6. Are substitutes performance/cost relationship inferior?		

+ is anything that is favorable to industry participants while - makes it unfavorable. For threat of substitutes, anything that can lead to viable substitutes is a -'ve

Extent of rivalry	*Yes (+)*	*No (-)s*
(how messy will rivalry get?)		
1. Is the industry growing rapidly?		
2. Is the industry not mature?		
3. Does the industry not have intermittent over-capacity?		
4. Are fixed costs a low proportion of total costs?		
5. Are there significant product/service differences between firms?		
6. Are there significant brand identifies between competitors?		
7. Are competitors diversified (versus being specialized)?		
8. Is it easy to get out of the business without loosing everything?		
9. Is the product complex and hard for customers to understand?		
10. Are competitors all around the same size?		
11. Is it expensive or difficult for customers to switch to other firms?		
12. Is the rate of technological change low?		

+ is anything that is favorable to industry participants while - makes it unfavorable. For extent of rivalry, anything that leads to firms being more aggressive and competitive is a -'ve while anything which leads to stability and low aggression would be a +ve.

Summary and Recommendations from Five Forces Analysis

Overall ratings:

1 Threat of new entrants ____________________
2. Bargaining power of buyers ____________________
3. Bargaining power of suppliers ____________________
4. Threat of substitutes ____________________
5. Extent of rivalry ____________________
Overall conclusion on attractiveness ____________________

Internal considerations impacting five forces analysis:

Recommendations arising from five forces analysis: