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**Business strategy**

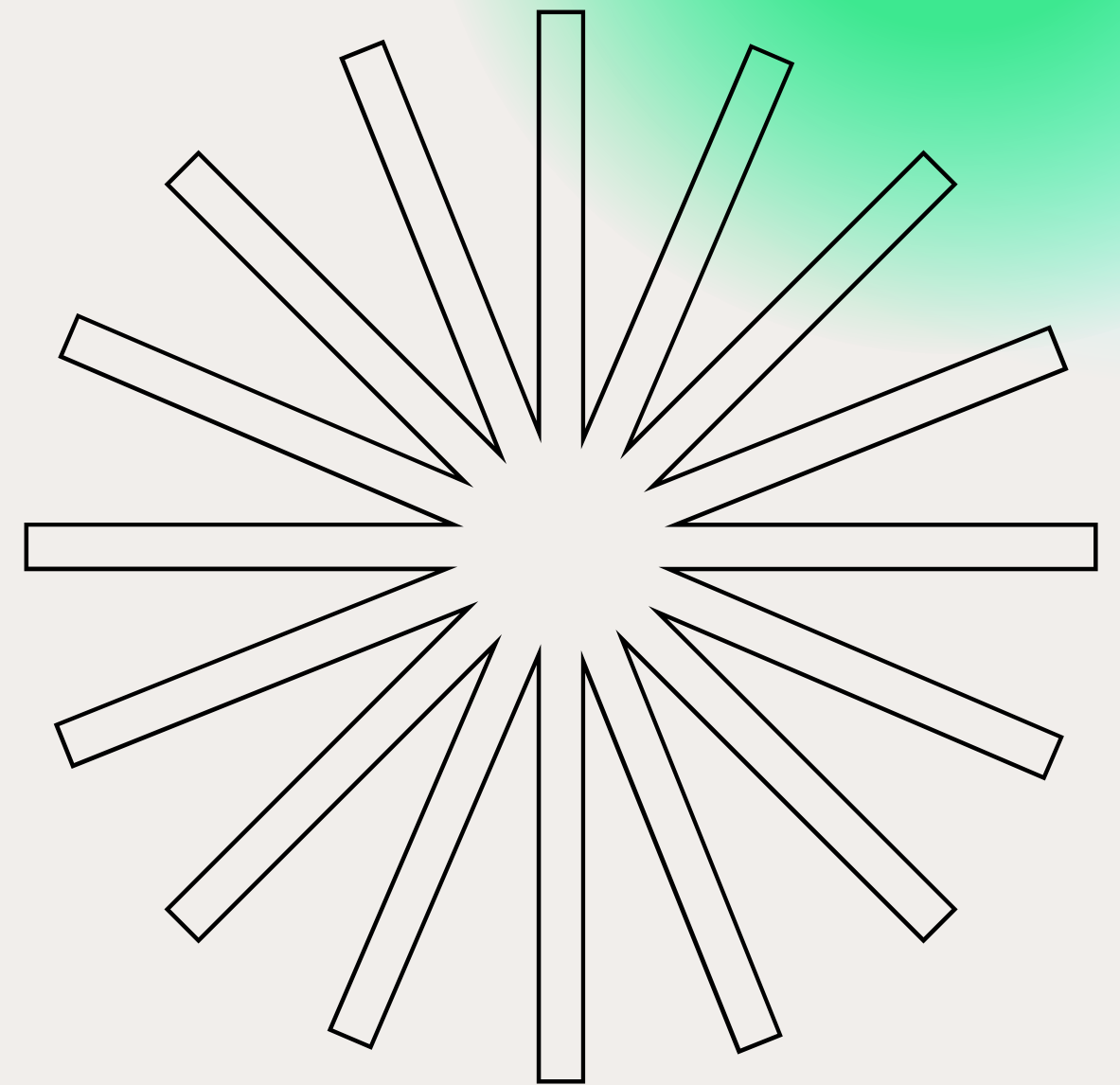


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## CONTENT

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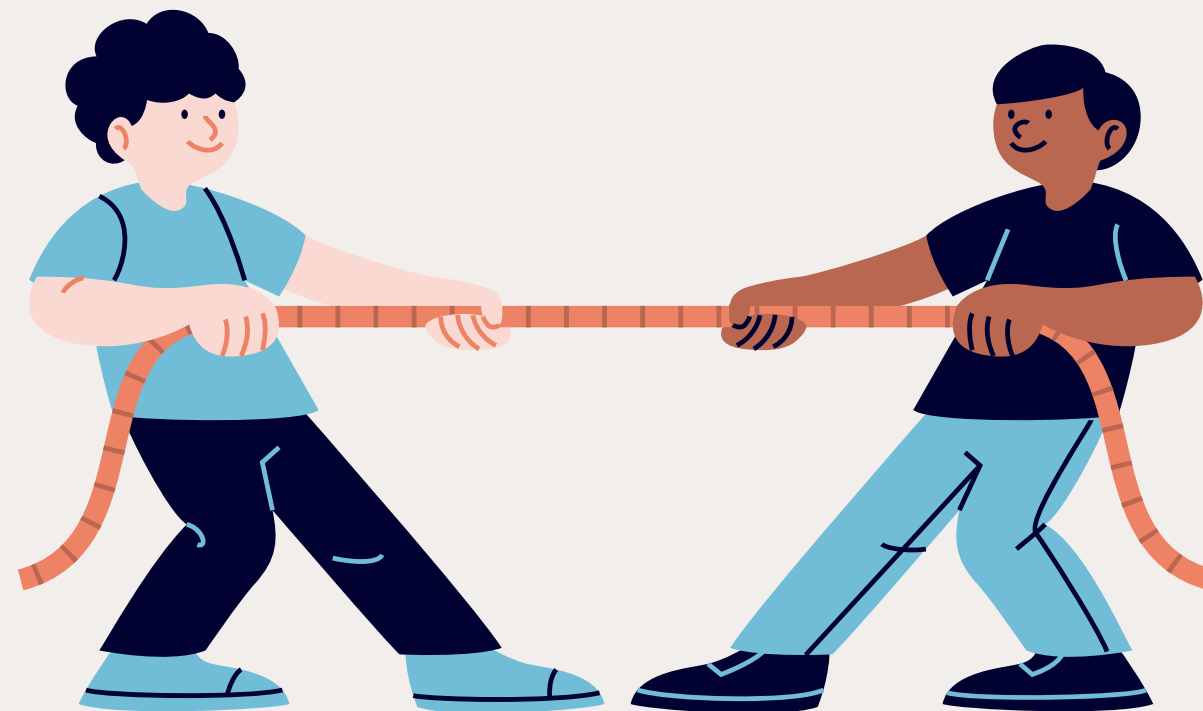
- Porter's Five Forces
- PEST analysis



# Porter's Five Forces

Porter's Five Forces is a widely recognized framework developed by Michael E. Porter that shapes the understanding of industries and markets. It serves as an analytical tool to evaluate the competition, profitability, and attractiveness of a specific market

Michael E. Porter, a professor at Harvard Business School, introduced the Five Forces Model in 1979. He emphasized that industry structure plays a pivotal role in determining an organization's success, surpassing individual firm behavior





A diagram illustrating Porter's Five Forces. A central circle is surrounded by four rounded rectangles. The central circle is labeled "Competitive rivalry within the industry". The four surrounding rectangles are labeled "Threat of new entrants" (top), "Threat of substitute" (bottom), "Bargaining power of suppliers" (left), and "Bargaining power of buyers" (right).

Threat of new  
entrants

Competitive  
rivalry  
within the  
industry

Bargaining  
power of  
buyers

Threat of  
substitute

Bargaining  
power of  
suppliers

# Example

Competitor rivalry:

- High competition exists among major smartphone manufacturers like Apple, Samsung, Huawei, and Xiaomi
- Intense rivalry leads to aggressive marketing, frequent product launches, and pricing strategies to gain market share

Bargaining power of buyers:

- Buyers have significant power in the smartphone industry due to the wide range of available options and price sensitivity
- Buyers can compare features, prices, and customer reviews before making a purchase decision, forcing companies to differentiate their products and offer competitive prices

# Example

Bargaining power of suppliers:

- Suppliers of key components, such as display panels and processors, hold substantial power due to their specialized manufacturing capabilities
- Limited suppliers and high demand can result in increased prices or supply chain disruptions, impacting the profitability of smartphone manufacturers

Threat of new entrants:

- The smartphone industry has a high barrier to entry due to the need for significant investments in research and development, manufacturing, distribution networks, and brand establishment
- However, emerging companies and technological advancements pose a potential threat, as they can introduce innovative products and disrupt the market

Threat of substitute offerings:

- The smartphone industry faces competition from substitute offerings such as feature phones, tablets, and wearable devices
- Technological advancements and changing consumer preferences contribute to the potential for customers to switch to alternative devices or technologies



**A PEST analysis** is a framework used to assess the external factors that can impact a company's operations and strategic planning. By examining the political, economic, sociocultural, and technological aspects of the business environment, organizations can gain insights into potential opportunities and threats. It provides a comprehensive understanding of the external landscape and helps inform decision-making



# PEST analysis

<b>P - Political</b>	global political situation, foreign policy of the country in which the company's jurisdiction is located; tax policy, the level of state influence on the industry, the level of influence on investment processes, state subsidies to specific regions, legislative breaks for regions
<b>E - Economic</b>	inflation rate, refinancing rate and related dynamics in the banking sector, exchange rate change, unemployment rate, income dynamics of the population, the level of competition
<b>S - Social</b>	demographic data, migration dynamics, standard of living of the population, salary, customs and values, level of education, qualification of personnel, working capacity and productivity of the population
<b>T - Technology</b>	scientific discoveries, new technologies, changes in patent legislation and industry, the impact of the Internet and mobile technologies on the industry, competitors' spending on R&D



# Example

## **Political:**

- Government regulations: ABC Electronics operates in a region where there are strict regulations related to product safety and environmental standards. Compliance with these regulations adds to their production costs

## **Economic:**

- Economic growth: the country's economy is experiencing a downturn, resulting in reduced consumer spending and lower demand for electronic products
- Currency exchange rates: fluctuations in exchange rates affect the cost of imported raw materials, impacting the company's production costs and pricing strategies
- Income levels: there is a growing middle class with increasing disposable income, creating opportunities for ABC Electronics to target this segment with affordable products

# Example

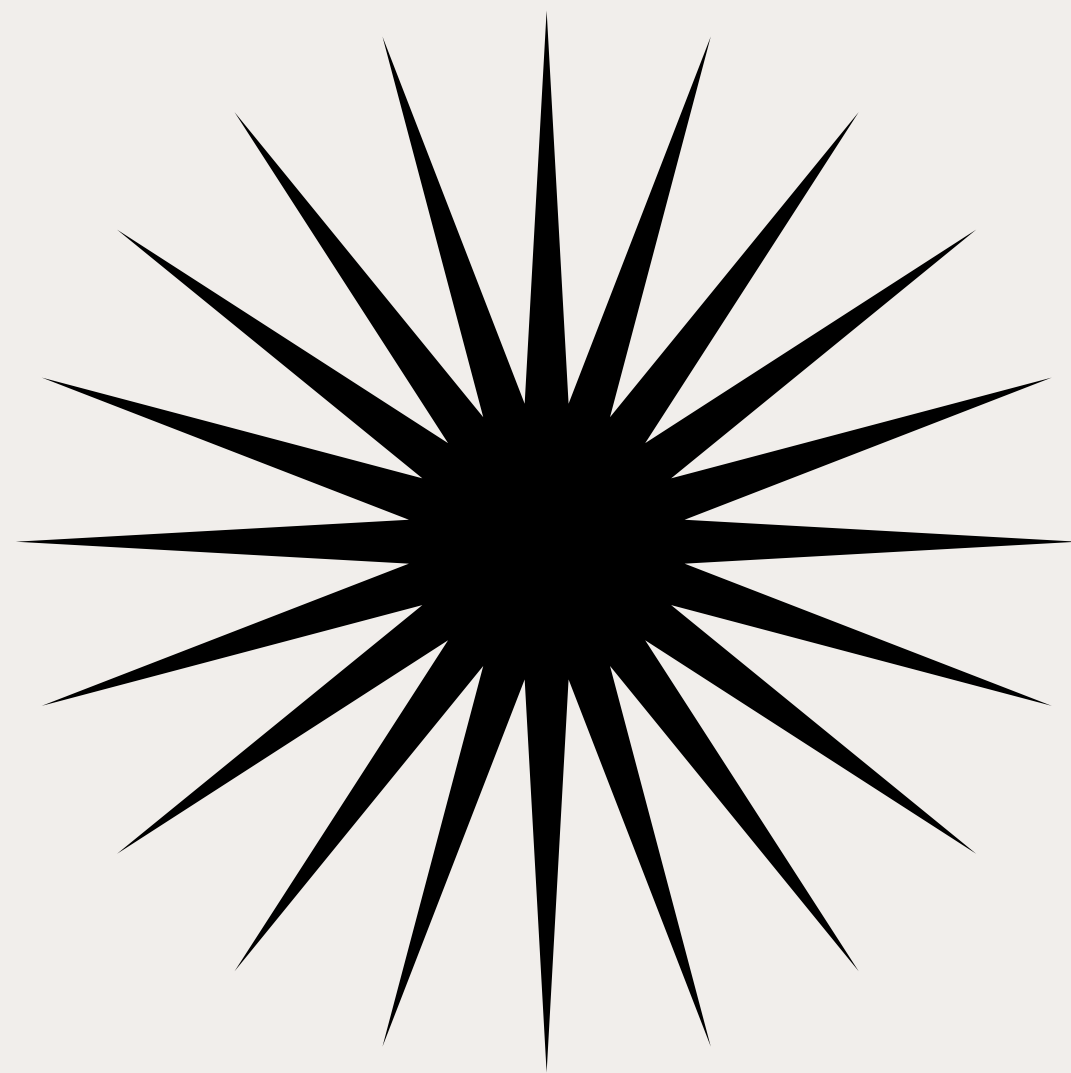
## **Sociocultural:**

- Consumer preferences: there is a shift in consumer preferences towards eco-friendly and sustainable products. ABC Electronics needs to consider incorporating environmentally friendly practices in its manufacturing processes and product offerings
- Technological adoption: the target market has a high adoption rate of new technologies, creating opportunities for the company to introduce innovative products and stay ahead of competitors
- Demographics: the aging population has specific needs and preferences for user-friendly devices, prompting ABC Electronics to develop products tailored to this segment

# Example

## **Technological:**

- Technological advancements: rapid advancements in technology, such as artificial intelligence and internet of things, present opportunities for ABC Electronics to develop smart devices and enhance product features
- Automation: the implementation of automated manufacturing processes can improve production efficiency and reduce costs for ABC Electronics
- Data security: increasing concerns about data breaches and privacy issues require the company to invest in robust security measures to protect customer information



**Thank you for  
your attention!**