

Table 4.3 Elements for assessing the influence of the danger of newcomer

Entry barriers	Opportunity	Threat
Considerable scales of economy		+
Marginal scale of economy	+	
Cost adversity from other aspects		+
Cost convenience from other aspects	+	
Strong product differentiation		+
Weak product differentiation	+	
Enormous needs for capital		+
Minor needs for capital	+	
Considerable costs of shifting		+
Minimal costs of shifting	+	
Controlled access to distribution channels		+
Opened access to distribution channels	+	
High government protection and limited entry		+
Low government protection without entry limitations	+	

Source: Adapted from Johnson and Scholes (2009:47).

The negotiation power of suppliers – the danger of suppliers

An analysis of this force looks into the negotiation power of the supplier, i.e. the danger of a supplier. Suppliers have a respectable negotiation power if the degree of concentration in their industry is higher than the concentration in the industry which buys their products. Suppliers can threaten with a price increase. According to Michael Porter (1980), the danger of suppliers is highlighted in the following cases:

- 1 When the number of potential suppliers is small, i.e. when a few suppliers dominate the industry which is more concentrated than the industry where they sell.
- 2 When suppliers sell unique products which significantly differ from others, or at least differentiated products.
- 3 When there is no danger that the product of the supplier can be substituted, i.e. replaced by a similar product.
- 4 When suppliers do not show interest for a step forward, i.e. for integrating the buyer (the corporation from the analysed industry) into its own value chain.
- 5 When corporations from the respective industry are not particularly important for suppliers, in the sense that more important buyers can be found at other industries.

It is logical that an industry is less attractive when the negotiation power of the supplier is higher, in the sense that there is less room for achieving a higher degree of profitability for corporations operating in the respective business. In other words, the negotiation power of suppliers to create