

Table 4.4 Elements for assessing the influence of the negotiation power of suppliers

<i>Negotiation power of supplier</i>	<i>Opportunity</i>	<i>Threat</i>
The industry of suppliers has few companies and it is concentrated	+	
The industry of suppliers has many companies and it is fragmented		+
There are no substitute products for the supplier product	+	
There are substitute products for the supplier product		+
The industry is not an important client of the supplier industry	+	
The industry is an important client of the supplier industry		+
Supplier product is important for the industry	+	
Supplier product is not important for the industry		+
Supplier products are differentiated	+	
Supplier products are not differentiated		+
There are considerable costs of switching from the suppliers products	+	
There are no considerable costs of switching from the suppliers products		+
The supplier has the potential of a descending integration in the industry which purchases from it	+	
The supplier does not have the potential of a descending integration in the industry which purchases from it		+

Source: Adapted from Johnson and Scholes (2009:46).

higher product prices is more expressed resulting in higher product cost and less room for profitability (Table 4.4).

The negotiation power of buyers – the danger of buyers

An analysis of this force explains the negotiation power of buyers and the danger of buyers. Buyers have a respectable negotiation power if the degree of concentration in the buying industry is higher compared with the selling industry. Buyers can threaten with profit decrease. According to Michael Porter (1980), the danger of buyers is highlighted in the following cases:

- 1 When the number of potential buyers is small, i.e. when a few buyers dominate the industry which is more concentrated than the industry where they buy.
- 2 When buyers buy standardised and non-differentiated products which significantly differ from others, or at least non-differentiated products.
- 3 When there is a danger of standardising the supplier product, i.e. identifying it with a similar product.
- 4 When buyers show interest for a step back, i.e. for integrating the supplier (companies from the analysed industry) into their own value chain.