21k-4503
Muhammad Tahir

Entrepreneurship (Assignment # 02)

Date ______ 20__
M T W T F S

Q.1) Which of the five forces in Porter's model is likely to have the greatest impact on this business and why?

A.1) The threat of new entrants is the most significant force affecting the grocery delivery service. Since the market has relatively low entry barriers - such as minimal startup costs and easy partnerships with grocery stores - it becomes highly competitive. New players can quickly enter and increase competition, making it difficult to maintain profitability.

Q.2) How does the threat of new entrants reduce an industry's profitability?

A.2) When new competitors enter an industry, existing businesses often have to lower prices or increase spending on marketing & service improvements to retain customers. This heightened competition leads to reduced profit margins, making it harder for companies to sustain high earnings.

Q.3) What are the key factors influencing profitability in most industries?

A.3) Several factors are:

- The intensity of competition within the industry.
- The bargaining power of buyers & suppliers.
- The risk posed by new entrants & substitute products.
- Operational efficiency and cost management.
- Customer demand and brand loyalty.

Q.4) How does competition among existing firms impact on industry's profitability?

A.4) Fierce competition forces companies to cut prices, invest in marketing, and improve product quality. This often increases

Date______20___
M T W T F S

costs & reduces revenue, ultimately leading to lower profit margins. Additionally, businesses may struggle to differentiate themselves, further intesifying the battle for market share.

Q.5) What are two benefits birms gain from effectively applying Porter's Five Forces model?

A.5) ⊙ Strategic advantage :-

Companies can position themselves more effectively in the market by recognizing potential threats & opportunities.

⊙ Better Decision-making :-

By understanding industry forces, businesses can make smarter choices regarding pricing, investments, & competitive strategies.

Q.6) How does supplier bargaining power negatively affect an industry's profitability?

A.6) When suppliers have significant control, they can increase prices, impose unfavorable terms, or limit the availability of crucial resources. This raises operational costs for businesses, reducing their ability to offer competitive pricing & maintaining strong profit margins.