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Applied Economics

SENIOR
HIGH
SCHOOL

Porter's Five Forces Analysis

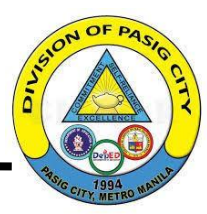
Self-Learning
Module

3

Quarter 4



ACCOUNTANCY, BUSINESS AND MANAGEMENT



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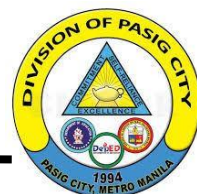
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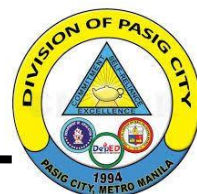
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Introductory Message

For the facilitator:

Welcome to the Senior High School – Applied Economics Self Learning Module on Porter’s Five Forces Analysis!

This Self-Learning Module was collaboratively designed, developed and reviewed by educators from the Schools Division Office of Pasig City headed by its Officer-in-Charge Schools Division Superintendent, Ma. Evalou Concepcion A. Agustin, in partnership with the City Government of Pasig through its mayor, Honorable Victor Ma. Regis N. Sotto. The writers utilized the standards set by the K to 12 Curriculum using the Most Essential Learning Competencies (MELC) in developing this instructional resource.

This learning material hopes to engage the learners in guided and independent learning activities at their own pace and time. Further, this also aims to help learners acquire the needed 21st century skills especially the 5 Cs, namely: Communication, Collaboration, Creativity, Critical Thinking, and Character while taking into consideration their needs and circumstances.

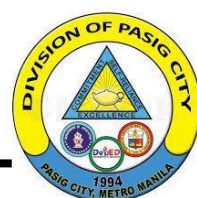
In addition to the material in the main text, you will also see this box in the body of the module:



Notes to the Teacher

This contains helpful tips or strategies that will help you in guiding the learners.

As a facilitator you are expected to orient the learners on how to use this module. You also need to keep track of the learners' progress while allowing them to manage their own learning. Moreover, you are expected to encourage and assist the learners as they do the tasks included in the module.



For the learner:

Welcome to the Applied Economics Self Learning Module on Porter's Five Forces Analysis!

This module was designed to provide you with fun and meaningful opportunities for guided and independent learning at your own pace and time. You will be enabled to process the contents of the learning material while being an active learner.

This module has the following parts and corresponding icons:



Expectations - This points to the set of knowledge and skills that you will learn after completing the module.



Pretest - This measures your prior knowledge about the lesson at hand.



Recap - This part of the module provides a review of concepts and skills that you already know about a previous lesson.



Lesson - This section discusses the topic in the module.



Activities - This is a set of activities that you need to perform.



Wrap-Up - This section summarizes the concepts and application of the lesson.



Valuing - This part integrates a desirable moral value in the lesson.



Posttest - This measures how much you have learned from the entire module.



EXPECTATIONS

After going through this module, you are expected to:

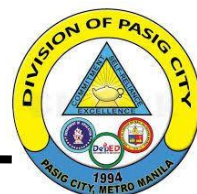
1. understand Porter's Five Forces Analysis;
2. discuss the purpose of Porter's Five Forces Analysis; and
3. apply Porter's Five Forces Analysis in the business scenario.



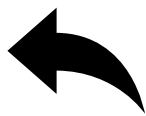
PRETEST

Directions: Read each statement carefully. Choose the letter of the best answer and write it on a separate sheet of paper.

1. It is a framework or a guide for assessing and evaluating the competitive strength and position of a business organization.
 - A. SWOT Analysis
 - B. Environmental Scanning
 - C. Porter's Five Forces Analysis
 - D. Marketing Research
2. He developed the Porter's Five Forces Analysis.
 - A. Michael E. Porter
 - B. David G. Porter
 - C. Finnick F. Porter
 - D. Henry D. Porter
3. It refers to the ability that customers have to drive lower prices.
 - A. Threat of Substitute Products
 - B. Bargaining Power of Suppliers
 - C. Competitive Rivalry
 - D. Bargaining Power of Buyers



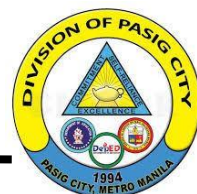
4. This force examines how easy or difficult it is for competition to join in the industry being examined.
 - A. Threat of New Entrants
 - B. Bargaining Power of Suppliers
 - C. Competitive Rivalry
 - D. Bargaining Power of Buyers
5. This force studies how easy it is for consumers to switch from a business's product or service to that of a competitor.
 - A. Threat of Substitute Products
 - B. Bargaining Power of Suppliers
 - C. Competitive Rivalry
 - D. Bargaining Power of Buyers



RECAP

Directions: Give at least two (2) examples of Strengths, Weaknesses, Opportunities, and Threats. Write your answer in the SWOT Analysis Matrix.

S	W
O	T





LESSON

Porter's Five Forces Analysis

The five forces model was originally developed by Michael E. Porter of Harvard Business School. Porter's Five Forces Analysis is a framework or a guide for assessing and evaluating the competitive strength and position of a business organization. Porter's theory identifies the five forces that determine the competitiveness and attractiveness of a market and which seek to locate the power in a business situation, its current competitive position, and the strength of a position that an organization may enter into.

According to Porter, the origin of profitability is identical regardless of industry. In that light, the industry structure is what ultimately drives the competition and profitability and not on whether an industry produces a product or service, is emerging or mature, high-tech or low-tech, regulated or unregulated.

Porter's Five Forces:

1. Competitive Rivalry

This force examines how intense the competition currently is in the market, which is determined by the number of existing competitors and what each is capable of doing. Rivalry competition is high when consumers can easily switch to a competitor offering for little cost.

2. Bargaining Power of Suppliers

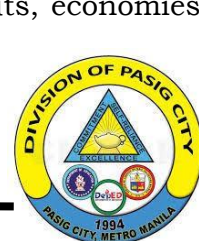
This force analyzes how much power a business' suppliers have and how much control it has over the potential to raise its prices, which, in turn, would lower a business's profitability. Also, it looks at the number of suppliers available. The fewer there are, the more power they have.

3. Bargaining Power of Buyers

This force looks at the power of the consumer to affect pricing and quality. Consumers have power when there aren't many of them, but lots of sellers, as when it is easy to switch from one business's products or services to another. Buying power is low when consumers purchase products are small amounts and the seller's product is very different from any of its competitors.

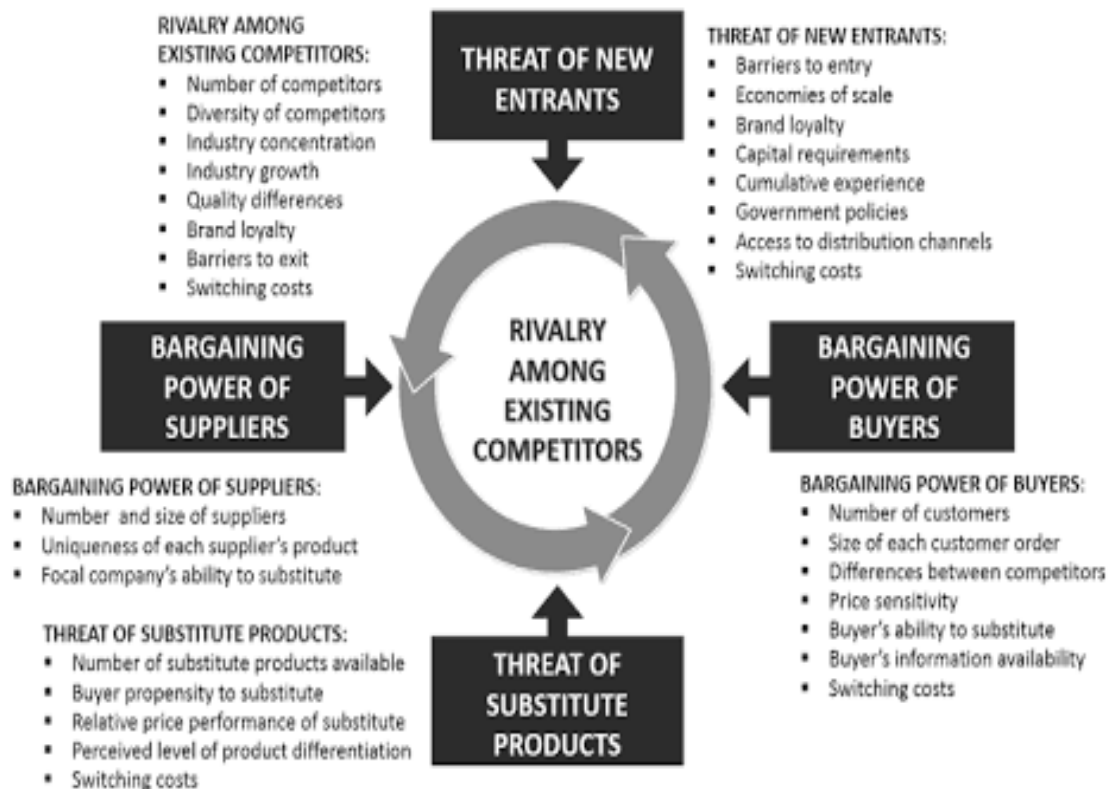
4. Threat of New Entrants

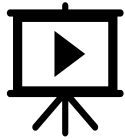
This force examines how easy or difficult it is for the competition to join the marketplace in the industry being examined. The easier it is a competitor to join the marketplace, the greater the risk of a business's market share being depleted. Barriers to entry include absolute cost advantages, access to inputs, economies of scale, and well-recognized brands.



5. Threat of Substitute Products or Services

This force studies how easy it is for consumers to switch from a business's product or service to that of a competitor. It looks at how many competitors there are, how their prices and quality compare to the business being examined, and how much of a profit those competitors are earning, which would determine if they can lower their costs even more.



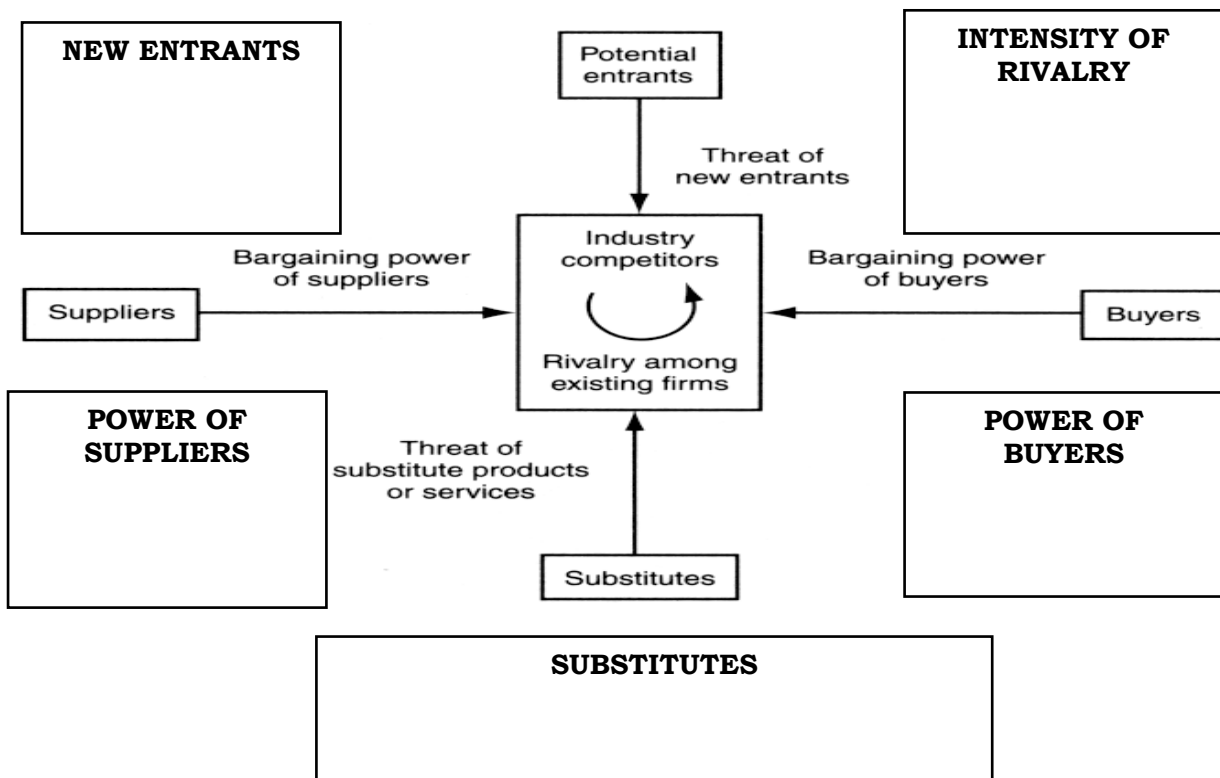


ACTIVITIES

Activity: Porter's Five Forces Analysis

Directions: Analyze if the following forces below are under SUPPLIERS, BUYERS, NEW ENTRANTS, SUBSTITUTE PRODUCTS, and INTENSITY OF RIVALRY. Write the number of the corresponding market force in each box.

- | | |
|---|--|
| 1. Industry growth | 6. Customer's information |
| 2. Government policy | 7. Capital requirements |
| 3. Differentiation of inputs | 8. Diversity of competitors |
| 4. The relative price performance of the other products | 9. Exit barriers |
| 5. Price Sensitivity | 10. Buyer propensity to switch to other products |





WRAP-UP

To summarize what you have learned in the lesson, answer the following questions:

1. What is Porter's Five Forces Analysis?
2. What is the purpose of Porter's Five Forces Analysis?



VALUING

Reflect on this!

"You're a product of your environment. Surround yourself with the best."

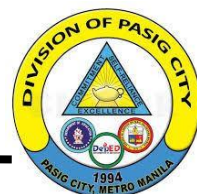
- Anonymous



POSTTEST

Directions: Identify the Porter's force in each statement below.

- _____ 1. This force studies how easy it is for consumers to switch from a business's product or service to that of a competitor.
- _____ 2. This force examines how easy or difficult it is for the competition to join the marketplace in the industry being examined.
- _____ 3. This force looks at the power of the consumer to affect pricing and quality.
- _____ 4. This force analyzes how much power a business' suppliers has.
- _____ 5. This force examines how intense the competition currently is in the market.





KEY TO CORRECTION

<p>PRETEST</p> <p>1. C 2. A 3. D 4. A 5. A</p>	<p>ACTIVITY:</p> <p>1. INTENSITY OF RIVALRY 2. NEW ENTRANTS 3. POWER OF SUPPLIERS 4. SUBSTITUTES 5. POWER OF BUYERS 6. POWER OF BUYERS 7. NEW ENTRANTS 8. POWER OF SUPPLIERS 9. INTENSITY OF RIVALRY 10. SUBSTITUTES</p>	<p>POSTEST:</p> <p>1. Threat of substitute products or services 2. Threat of new entrants 3. Bargaining power of Buyers 4. Bargaining power of Suppliers 5. Competitive Rivalry</p>
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