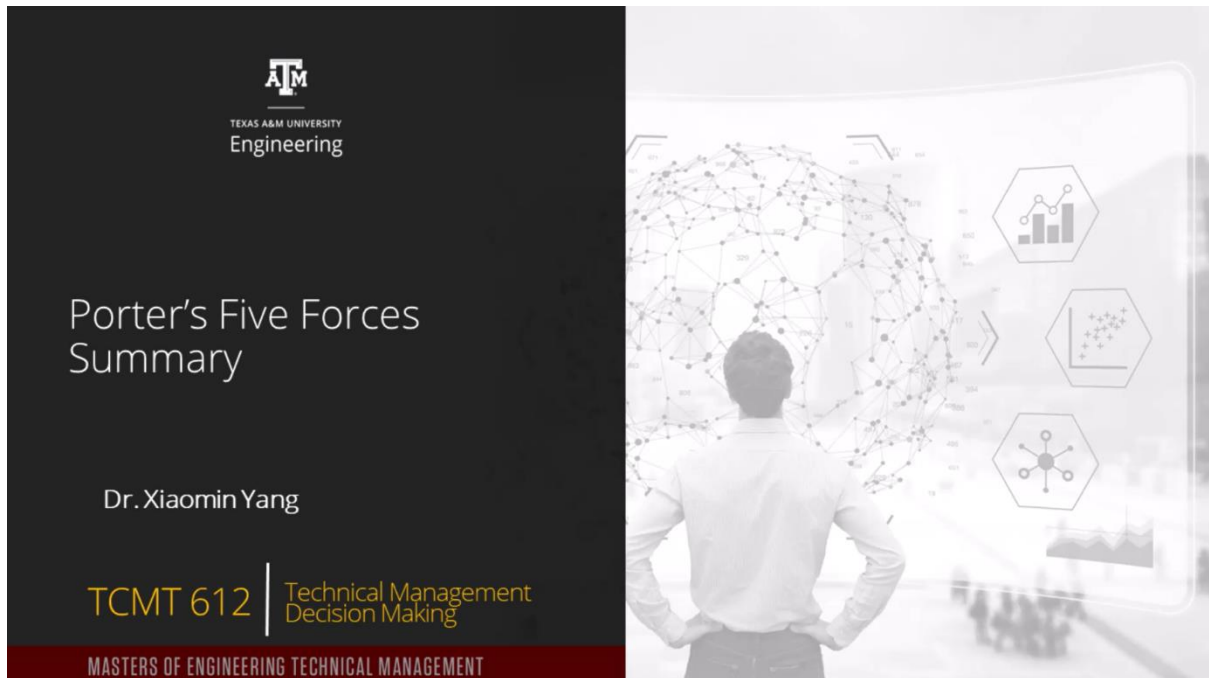


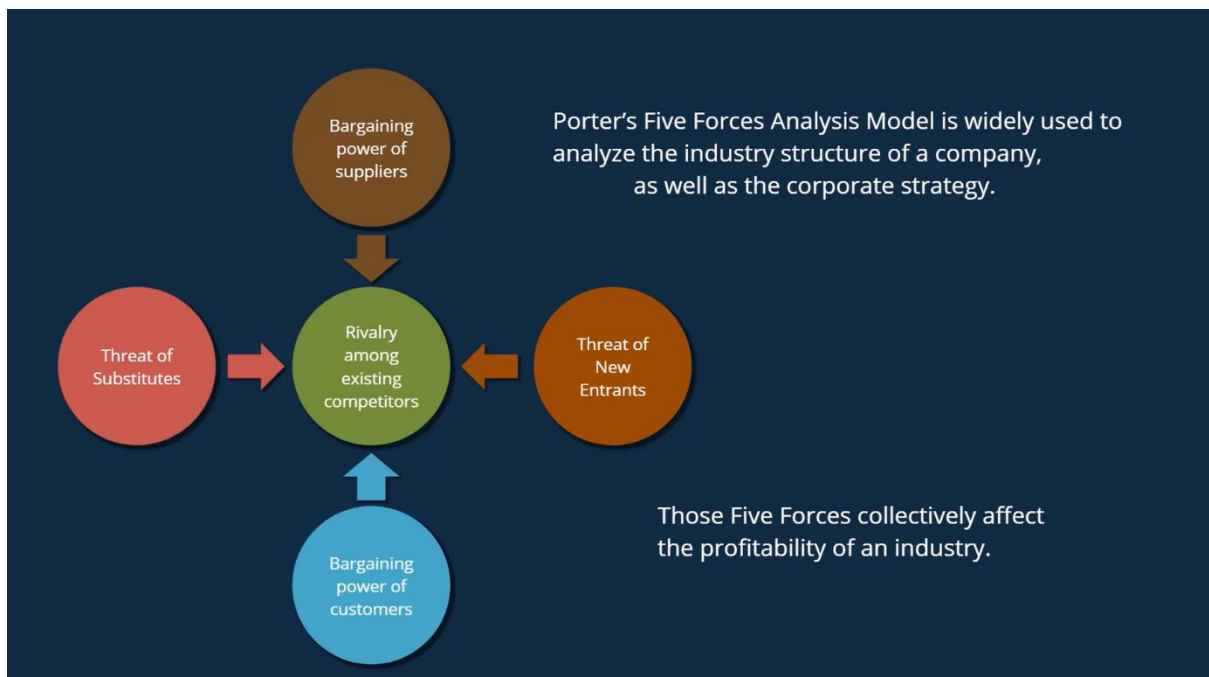
M5L5. Porter's Five Forces Summary

Slide #1



In this topic, the professor summarizes Porter's five forces of competition model.

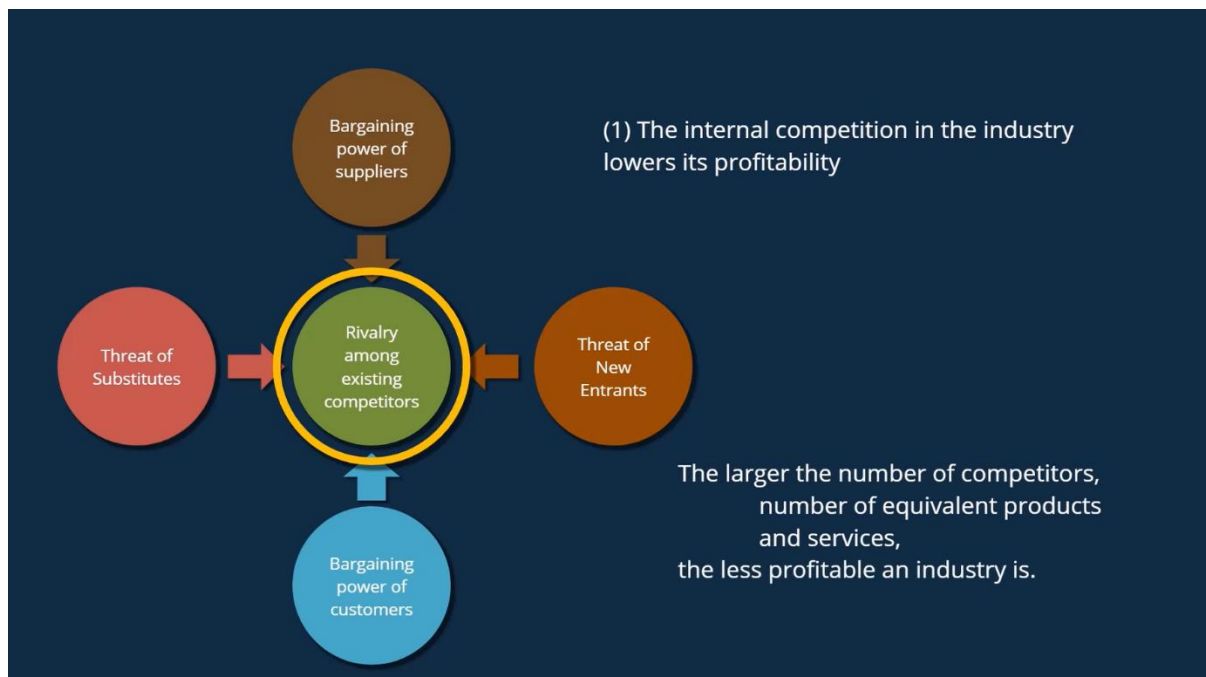
Slide #2



Porter's five force analysis model is widely used to analyze the industry structure of a company as well as the corporate strategy.

Those five forces collectively affect the profitability of an industry.

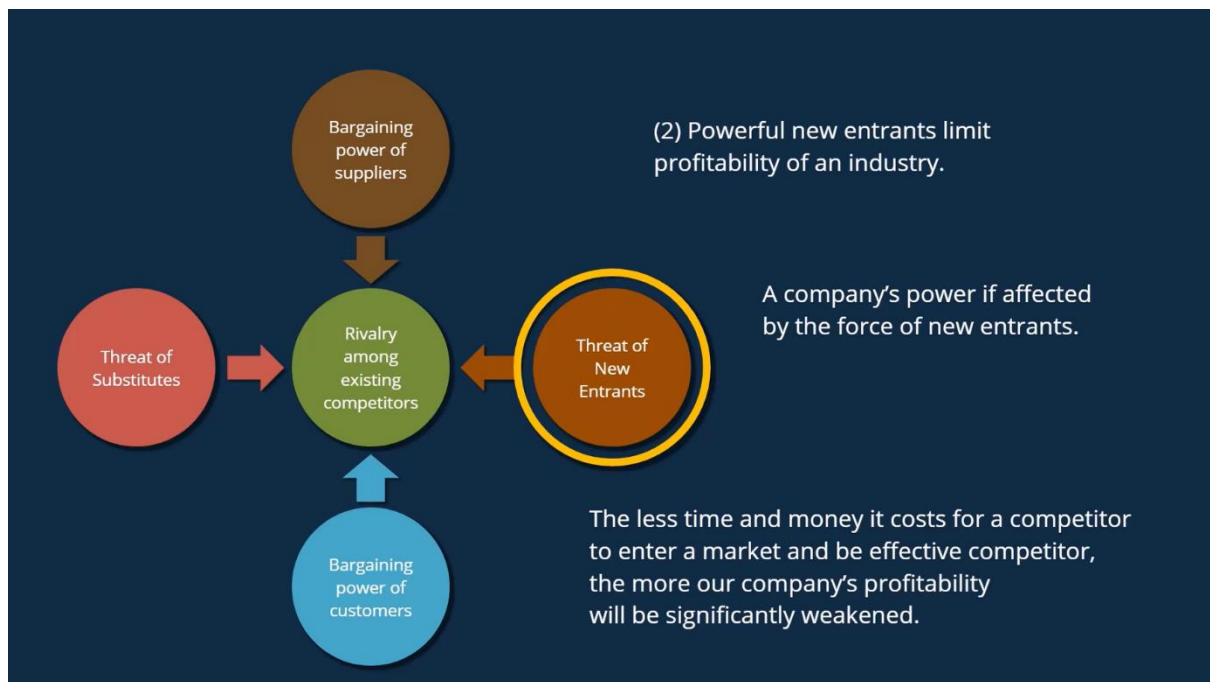
Slide #3



The internal competition in the industry lowers its profitability.

The larger the number of competitors, along with the number of equivalent products and services they offer, the less profitable an industry is.

Slide #4

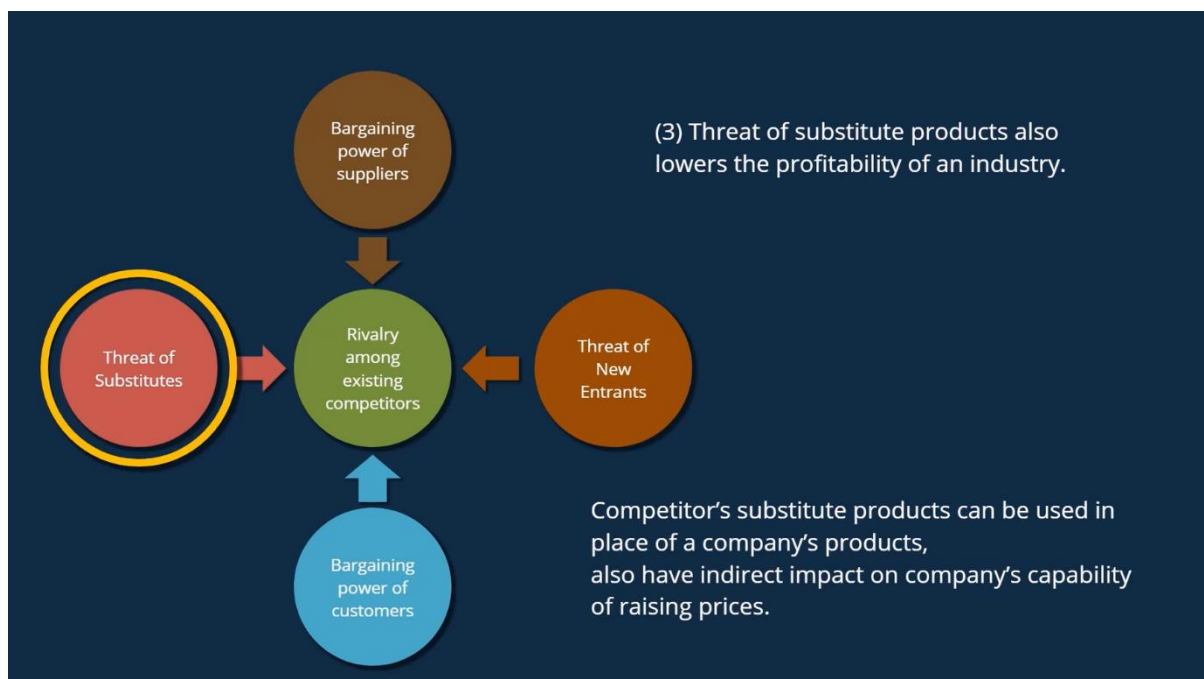


Second, powerful new entrants also limit the profitability of an industry.

A company's power is affected by the force of new entrants.

The less time and money it costs for a competitor to enter a company's market and be an effective competitor, the more a company's profitability will be significantly weakened.

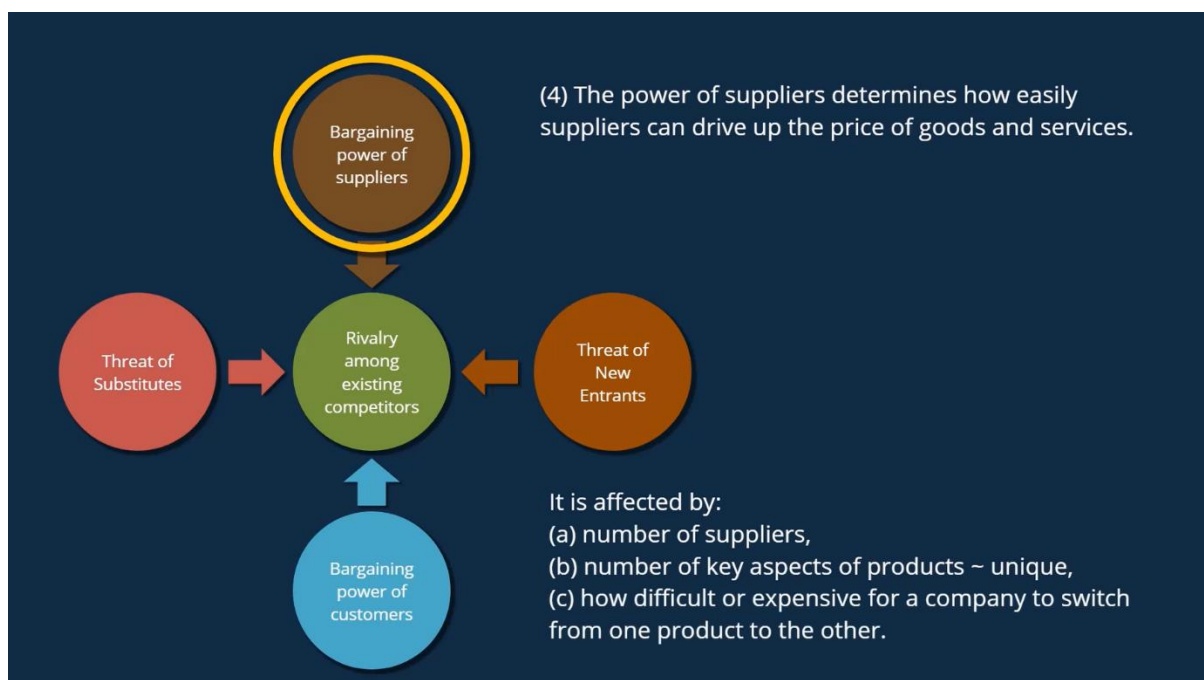
Slide #5



Third, the threat of substitute products also lowers the profitability of an industry.

Competitors substitute products can be used in place of a company's product and also can have an indirect impact on the company's capability of raising prices.

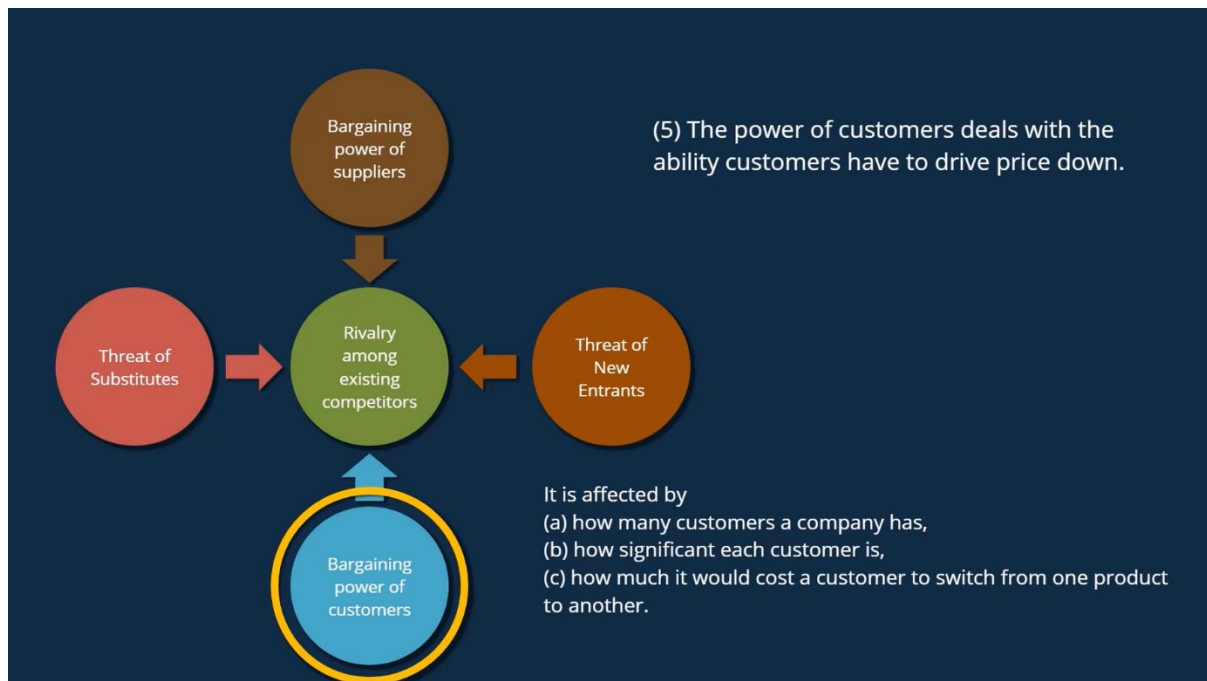
Slide #6



The power of suppliers determines how easily suppliers can drive up the price of goods and services.

It is affected by the number of suppliers, the number of key aspects of products, and how unique those products are and how difficult or expensive for a company to switch from one product to another.

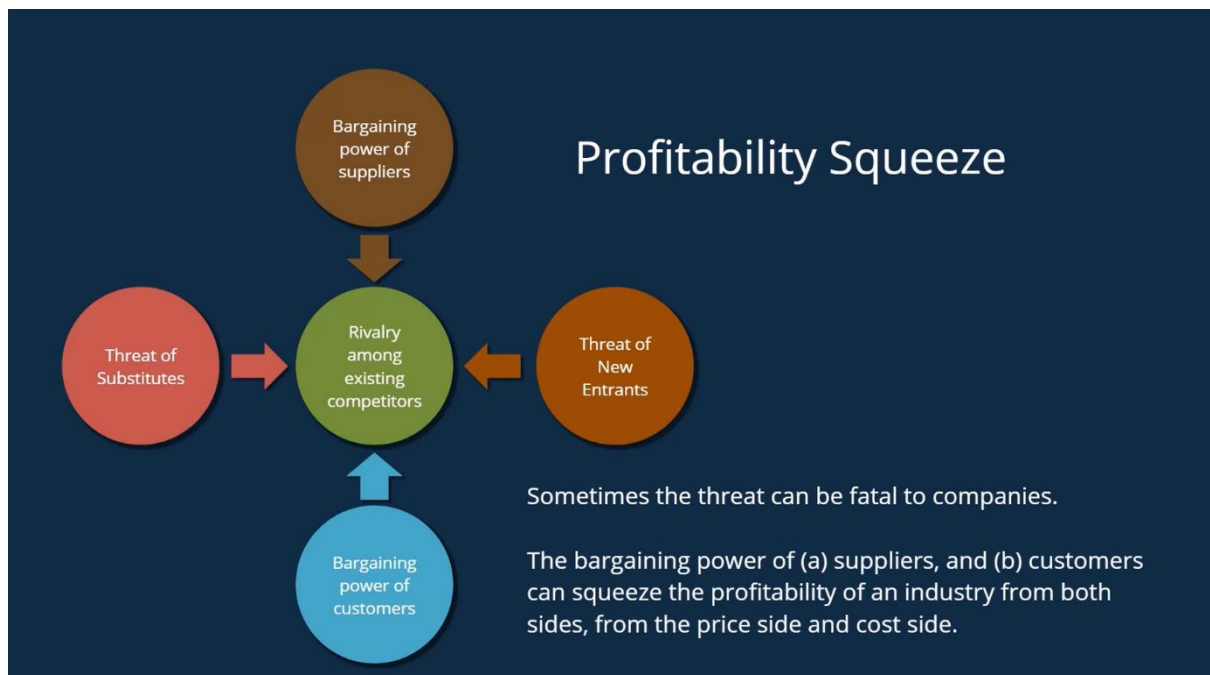
Slide #7



The power of customers deals with the ability customers have to drive prices down.

It is affected by how many buyers or customers. that a company has, how significant each customer is, and how much it would cost a customer to switch from one product to the other.

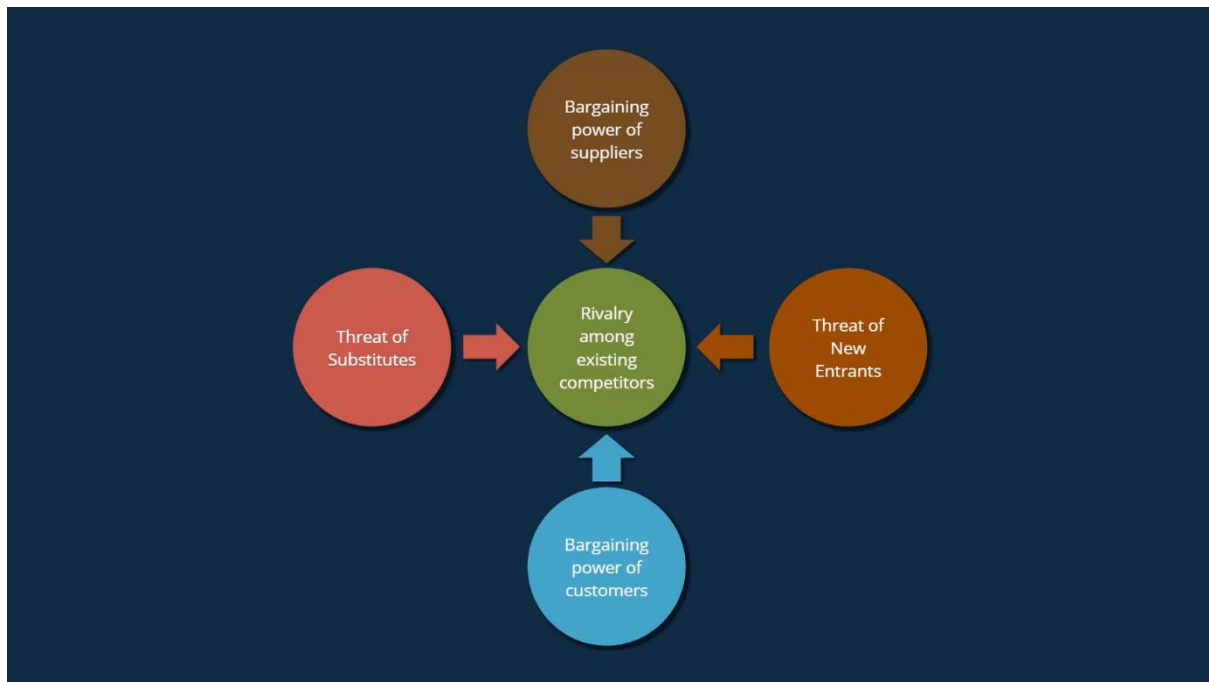
Slide #8



Sometimes the threat can be fatal to companies.

The bargaining power of suppliers and also the bargaining power of customers can squeeze the profitability of an industry from both sides, from the price side and also from the cost side.

Slide #9



In summary, the collective effect of those five forces have a significant impact on the company's ability to make a profit.