# M5L5. Porter’s Five Forces Summary

## Slide #1Porter's Five Forces Summary

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

## Slide #2Porter's Five Forces Analysis Model

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 #3Rivalry among existing competitors

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 #4Threat of New Entrants

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 #5Threat of substitutes

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 #6Bargaining power of supplliers

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 #7Bargaining power of customers

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 #8Profitability Squeeze

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 #9Rivalry among existing competitors

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