

# PORTER'S 5 FORCES FRAMEWORK

# Understanding Porter's Five Forces Framework

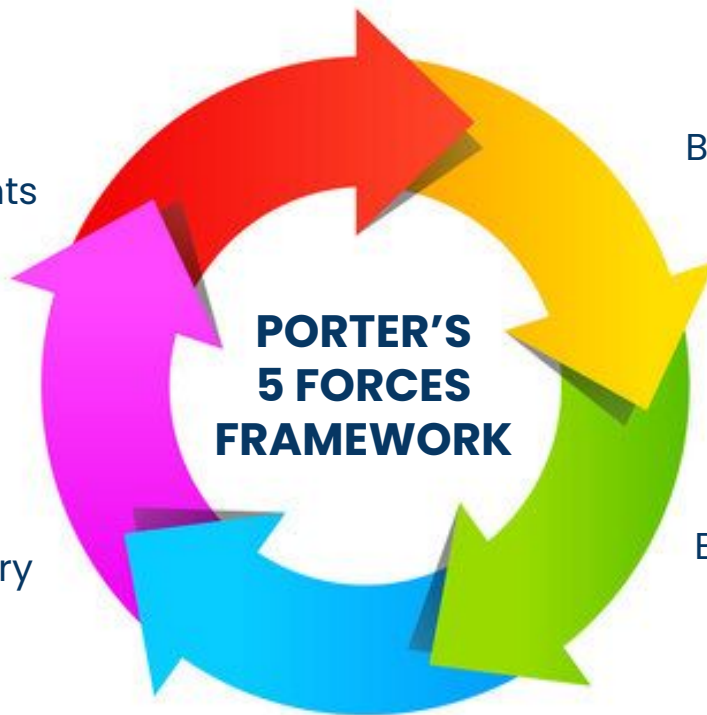
A Strategic Tool for Industry Analysis and  
Competitive Strategy

# What is Porter's Five Forces?

- Developed by Michael Porter, this framework helps analyze the competitive environment of an industry.
- It identifies key forces that influence profitability and guides strategic decision-making.

## **Example Statement:**

*"It's like a business radar, helping leaders see threats and opportunities around them."*



# Threat of New Entrants

- **Definition:** New players entering the market increase competition.
- **Factors:** Barriers to entry like costs, regulations, and economies of scale.
- **Real-World Example:**
  - Tech startups disrupting traditional banking.
  - Ride-sharing apps challenging taxis.

# Bargaining Power of Suppliers

- **Definition:** When suppliers have power, they can raise prices or limit availability.
- **Factors:** Number of suppliers, uniqueness of products, cost of switching suppliers.
- **Real-World Example:**
  - Auto industry depends on chip manufacturers.
  - Coffee shops rely on quality coffee bean suppliers.

# Bargaining Power of Buyers

- **Definition:** Buyers can demand lower prices or better quality.
- **Factors:** Number of buyers, product alternatives, price sensitivity.
- **Real-World Example:**
  - Retail shoppers pushing for discounts.
  - B2B clients negotiating bulk purchase prices.

# Threat of Substitutes

- **Definition:** Substitute products/services reduce industry demand.
- **Factors:** Availability, price, and quality of alternatives.
- **Real-World Example:**
  - Streaming platforms replacing cable TV.
  - Electric scooters challenging public transport.



# Industry Rivalry

- **Definition:** Intense competition reduces profits and market share.
- **Factors:** Number of competitors, market growth rate, and differentiation.
- **Real-World Example:**
  - Airlines fiercely competing on pricing and routes.
  - Smartphone brands launching features aggressively.

# Case Studies: NETFLIX

*Industry: Streaming Entertainment*

Porter's Five Forces	Example
Threat of New Entrants	High – Disney+, Hulu, AppleTV
Supplier Power	Medium – Dependence on content producers.
Buyer Power	High – Subscribers can switch easily.
Threat of Substitutes	High – Gaming, YouTube
Industry Rivalry	High – Competing with Amazon Prime, HBO.

**Takeaway:** *Netflix focuses on original content and tech innovation to stay ahead.*