Porter's Five Forces

WORKSHEET

A structural analysis of the five competitive forces that determine an industry's long-run profitability, and therefore where and how a business can defend or improve its position.

PREPARED BY _____ DATE _____

1 RIVALRY AMONG EXISTING COMPETITORS

The intensity of head-to-head competition in the industry. High rivalry, especially price-based rivalry, transfers value directly to customers and erodes industry profitability.

2 THREAT OF NEW ENTRANTS

The likelihood that new players enter and bid away profitability. The threat depends on entry barriers and on the retaliation entrants can expect from incumbents.

3 BARGAINING POWER OF SUPPLIERS

The ability of suppliers to capture value by charging more or providing less. Powerful suppliers squeeze industry margins from the input side.

4 BARGAINING POWER OF BUYERS

The ability of customers to force prices down or demand more value. Powerful buyers capture the industry's value for themselves.

5 THREAT OF SUBSTITUTES

Products or services from outside the industry that meet the same underlying need a different way. Substitutes cap the prices an industry can sustainably charge.

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