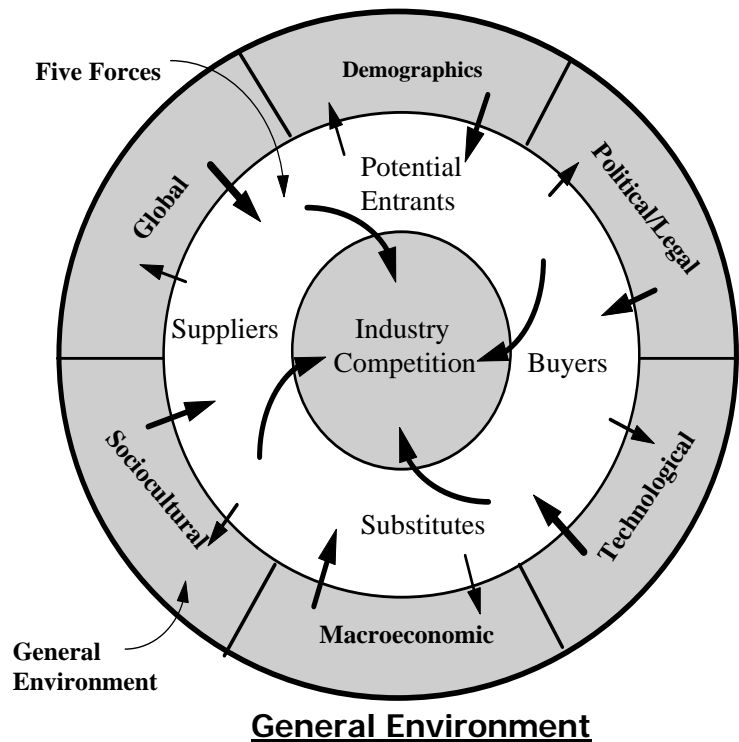


Porter's Five Forces & Competitive Models

- The Five Forces model deals with the industry environment. Four Forces go into making up the fifth force; the **industry competition**.
- The first force refers to a rivalry for market share among the existing competitors in an industry **Threat of new entrants**: How easy or difficult is it for new businesses to enter the market. What are the costs, barriers, legal or political issues to these potential entrants.
- **Substitutes**: Can customers access substitutes for your products or services? What are the costs and propensity of the market to switch to substitutes?
- **Suppliers**: What is the bargaining power of suppliers in the market? Do they have a monopoly that allows them to demand a high price for their products? Or, are there substitutes that you can switch to relatively easily
- **Buyers or Customers**: As with the suppliers, we ask similar questions like, what is the bargaining power that customers can use as leverage? Do they have easy access to other similar products or services? How sensitive are they to price changes?



The general environment model is a 6-part framework for examining other environmental factors which feed the Porter's Five Forces Model. This model includes **Demographics**, where the customers and competitors are, **Global** considerations, or the impact of the globalization of business. **Socio-cultural** impacts as our cultures combine or our global business requires we do business in differing cultures. **Macroeconomic** impacts like going public and dealing with the global stock market. **Technological** impacts as technology advances change almost weekly. Finally, we must be concerned with the **Political/Legal** environment. How we can impact is as well as what the impact on our business could be.

The model here shows the Five Forces as the central part of the model. It also shows **Porter's General Environmental Model** as well.