Porter’s Five Forces Cheat Sheet

A framework to analyse the competitive forces shaping an industry. For each force, consider examples from your case or industry.

**Threat of New Entrants**

**What it means:**
How easy is it for a new company to start competing with you?

**Why it matters:**
If it’s easy for new businesses to join your market, you might lose customers or have to lower prices.

**Example:**
If opening a new coffee shop in your town is cheap and doesn’t need special skills, more shops will open, meaning more competition for everyone.

**Bargaining Power of Suppliers**

**What it means:**
Can the companies you buy from (your suppliers) control prices or make things difficult for you?

**Why it matters:**
If you rely on only a few suppliers, and they know you have no other options, they can raise prices or reduce quality—and you have to accept it.

**Example:**
If your bakery buys flour from just one mill, and that mill raises prices, you have to pay more (or run out of flour).

**Bargaining Power of Buyers**

**What it means:**
Can your customers ask for lower prices or demand better service because they have lots of options?

**Why it matters:**
If buyers have the power, you may have to lower your prices or improve your product just to keep them happy.

**Example:**
If your shop sells mobile phones and there are three other shops next door with the same models, customers can shop around and push you to match the best deal.

**Threat of Substitutes**

**What it means:**
Are there other ways for customers to solve their problem without buying from you?

**Why it matters:**
If customers can easily switch to a different product or service, your business is less secure.

**Example:**
If you run a taxi company, but the city’s buses become faster and cheaper, people might stop using taxis and take the bus instead.

**Competitive Rivalry**

**What it means:**
How tough is the competition between the businesses already in your market?

**Why it matters:**
If there are lots of businesses fighting for the same customers, you might have to lower your prices or work harder to stand out.

**Example:**
If there are ten pizza shops in a small town, each one must work extra hard to win over customers—often by lowering prices or offering more deals.

**In short:**
Porter’s Five Forces help you understand where your business is strong, where it’s vulnerable, and what you need to watch out for in your industry.

Tip: For each force, write 1-2 examples from your case or industry.

|  |  |  |
| --- | --- | --- |
| Force | What to look for | Your Notes |
| 1. Threat of New Entrants
 | How easy is it for new firms to enter? |  |
| 1. Bargaining Power of Suppliers
 | Can suppliers raise prices? |  |
| 1. Bargaining Power of Buyers
 | Can customers demand lower prices? |  |
| 1. Threat of Substitutes
 | Are there alternatives to your product? |  |
| 1. Competitive Rivalry
 | How intense is the competition? |  |

Tip: For each force, write 1-2 examples from your case or industry.

Now that you have a better idea about Porter’s 5 Forces, fill in the table below about one of our cases or find an industry that interests you and perform the analysis on it: