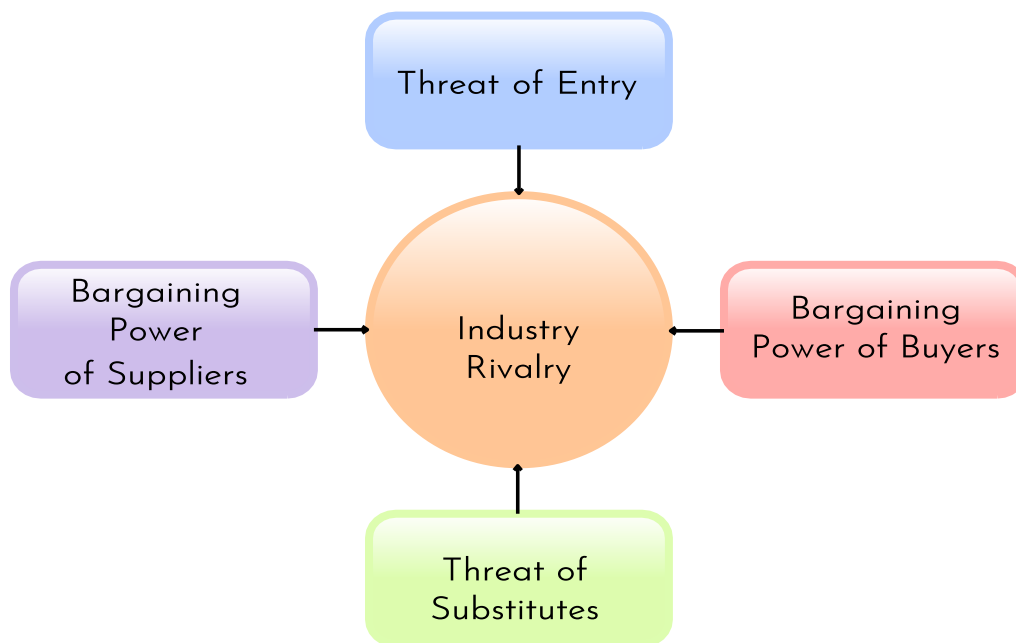


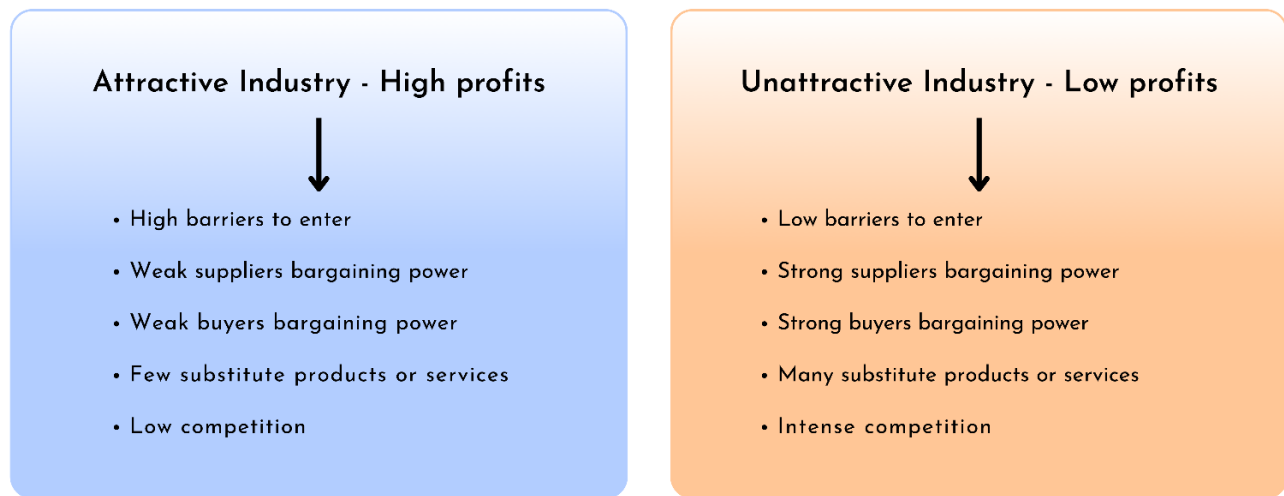
STRATEGY DEVELOPMENT PROCESS: ENVIRONMENT SCAN

Porters Five Forces

Porter's five forces model is an analysis tool that uses five forces to determine the profitability of an industry and shape a firm's competitive strategy. It is a framework that classifies and analyzes the most important forces affecting the intensity of competition in an industry and its profitability level.



These forces determine an industry structure and the level of competition in that industry. The stronger competitive forces in the industry are the less profitable it is. An industry with low barriers to enter, having few buyers and suppliers but many substitute products and competitors will be seen as very competitive and thus, not so attractive due to its low profitability. It is every strategist's job to evaluate company's competitive position in the industry and to identify what strengths or weakness can be exploited to strengthen that position. The tool is very useful in formulating a firm's strategy as it reveals how powerful each of the five key forces is in a particular industry.



Threat of new entrants. This force determines how easy (or not) it is to enter a particular industry. If an industry is profitable and there are few barriers to enter, rivalry soon intensifies. When more organisations compete for the same market share, profits start to fall.

It is essential for existing organizations to create high barriers to enter to deter new entrants. The threat of new entrants is high when:

- Low amount of capital is required to enter a market; Existing companies can do little to retaliate;
- Existing firms do not possess patents, trademarks or do not have established brand reputation; There is no government regulation;
- Customer switching costs are low (it doesn't cost a lot of money for a firm to switch to other industries);
- There is low customer loyalty; Products are nearly identical;
- Economies of scale can be easily achieved.

Bargaining power of suppliers. Strong bargaining power allows suppliers to sell higher priced or low-quality raw materials to their buyers. This directly affects the buying firm's profits because it has to pay more for materials.

Suppliers have strong bargaining power when:

- There are few suppliers but many buyers;
- Suppliers are large and threaten to forward integrate; Few substitutes raw materials exist;
- Suppliers hold scarce resources;
- Cost of switching raw materials is especially high.

Bargaining power of buyers. Buyers have the power to demand lower price or higher product quality from industry producers when their bargaining power is strong. Lower price means lower revenues for the producer, while higher quality products usually raise production costs.

Both scenarios result in lower profits for producers. Buyers exert strong bargaining power when:

- Buying in large quantities or control many access points to the final customer; Only few buyers exist;
- Switching costs to other supplier are low; They threaten to backward integrate; There are many substitutes;
- Buyers are price sensitive.

Threat of substitutes. This force is especially threatening when buyers can easily find substitute products with attractive prices or better quality and when buyers can switch from one product or service to another with little cost. For example, to switch from coffee to tea doesn't cost anything, unlike switching from car to bicycle.

Rivalry among existing competitors. This force is the major determinant on how competitive and profitable an industry is. In competitive industry, firms have to compete aggressively for a market share, which results in low profits.

Rivalry among competitors is intense when:

- There are many competitors; Exit barriers are high;
- Industry of growth is slow or negative;
- Products are not differentiated and can be easily substituted;
- Competitors are of equal size;
- Low customer loyalty.

Preparation document guideline

The guide is designed to support your contribution to the NTAW Environment Scan by helping you explore and structure your analysis before submission. This acts as a research and preparation template. It helps you:

- Brainstorm and record relevant trends or factors.
- Organise your analysis before submitting your final inputs.
- It is not the official submission form instead; it's a tool to help you work through your ideas thoroughly and confidently.
- Jot down ideas, data points, or early insights under each category. This can be a solo or collaborative step.
- Refine your responses based on clarity, relevance, and evidence. These notes will help you complete the official form smoothly.

Submit your final responses

Once you've completed your analysis and preparation, head to the official form to submit your insights:

[SUBMIT YOUR FINAL ASSESSMENT](#)

ASSESSMENT

Use the above definitions to list as many forces that act on NTAW and then highlight your top 5 forces under each of the category. Based on your top 5, rate the overall force.

BARGAINING POWER OF SUPPLIERS

HIGH, MEDIUM, LOW

Think about: Supplier concentration, substitutes, product differentiation

COMPETITIVE RIVALRY WITHIN THE INDUSTRY

HIGH, MEDIUM, LOW

Think about: Number of competitors, relative size of competitors, Market share, product differentiations, buyers switching costs

AVAILABILITY OF SUBSTITUTES

HIGH, MEDUM, LOW

Think about: Relative price of substitutes, switching costs to buyers

THREATS OF NEW ENTRANTS

HIGH, MEDUM, LOW

Think about: Barriers to entry, capital costs, cost advantages, product differentiation

**BARGAINING POWER OF
BUYER/CUSTOMERS**

HIGH, MEDUM, LOW

Think about: Product differentiation, switching costs to use other product, buyers profit margin, number of sellers