

# Episode 80: What are Porter's Five Forces?

The Five Forces is a framework created by Michael Porter of Harvard in 1979. It looks at the attractiveness of a market in context with an overall industry. When I use it, I try and think of the five following forces that effect my business.

## **Force 1: The current players in the market.**

Your 1st concern should be who is in your market and is gaining or losing share. What are their strategies and why are they being successful? What is your response and where are you winning or losing?

## **Force 2: Who are the new entrants?**

Who is entering with a similar value proposition but using a different marketing mix? Maybe they have a different price, packaging, promotion or distribution strategy. What are they going to do that is different and how should you respond?

## **Force 3: Who will substitute your product?**

Who is bringing a solution to market with an entirely different value proposition? Here we are concerned about a dramatic change to the market. This might change our ability to make money or even sell our solution.

## **Force 4: The power of your suppliers.**

The question to ask here is how powerful are your suppliers over your business? What would be the switching costs relative to your business or your competition? What risks do they have in their business and what are their strategies? As many have discovered, your suppliers can change your business and its strategy.

## **Force 5: The power of the buyers.**

Finally, what power do the people who buy the products or service have? How dependent are they and what are the switching costs? What are their strategies and how will they affect you? An interesting example may be a buyer looking to virtually integrate – they might buy you or your competition.

Bottom Line: Too many people don't look at the whole marketing plan when thinking about their competition. Five Forces model a great starting place when assessing any market and done well, can open up new strategies as well as highlighting new opportunities.

