



## Porter's 5 Forces

Porter's 5 Forces is a tool used for environmental scanning. It examines both the organisation and the business in which they operate. The five forces are: **(Threat of) Entry of competitors:** The ease with which other organisations may enter the same market; **(Threat of) Substitutes:** The availability of suitable customer alternatives; **Bargaining power of buyers:** The power of customers to decrease prices; **Bargaining power of suppliers:** The power of suppliers to increase prices; and **Rivalry amongst the existing players:** The impact of competition, the number of competitors, and differentiation between available offerings. The assessment enables organisations to take advantage of their strengths and to address weaknesses. Additionally, the tool may be used to support decisions surrounding the development of new products or services.

### Using 'Porter's 5 Forces'

Step 1: Examine the organisation and its competitive environment against each of the '5 Forces'.

Step 2: Summarise the present situation under each force category and assign a positive or negative rating using a predetermined scale, i.e. (1-10 or -- to ++)

Step 3: Consider the results obtained and determine beneficial strategic approaches that capitalise on the strengths of the organisation.

