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Lean TQM Toolbox Series

Porters Five Forces

A Strategic Assessment & Development Tool



Lean TQM Toolbox – Strategic Assessment & Development Tools

Porters Five Forces

The problem: You need to develop your organisations competitive strategy, or perhaps you are considering launching a new product line, entering a new sector, or testing your organisations competitiveness in relation to an emerging opportunity.

Organisations often use *Porter's Five Forces* to understand whether new products or services are potentially profitable. By understanding where power lies, the theory can also be used to identify areas of strength, to improve weaknesses and to avoid mistakes.

The state of competition in an industry depends on five basic forces, which collectively determines the ultimate profit potential of that industry;

1. Threat of New Entrants
2. Bargaining Power of Buyers
3. Threat of Substitute Products
4. Bargaining Power of Suppliers
5. Rivalry Among Existing Competitors

Analysing these underlying sources of competitive pressure provides the groundwork for a strategic plan of action. They highlight the critical strengths and weaknesses of the company, pinpoint the positioning of the organisation in its industry, clarify the areas where strategic changes may yield the greatest payoff, and highlight the places where industry trends promise to hold the greatest opportunities or threats.

The *Porters Five Forces* model can help organisations increase profits and marketshare, but they must continuously monitor any changes in the five forces and adjust their business strategy.



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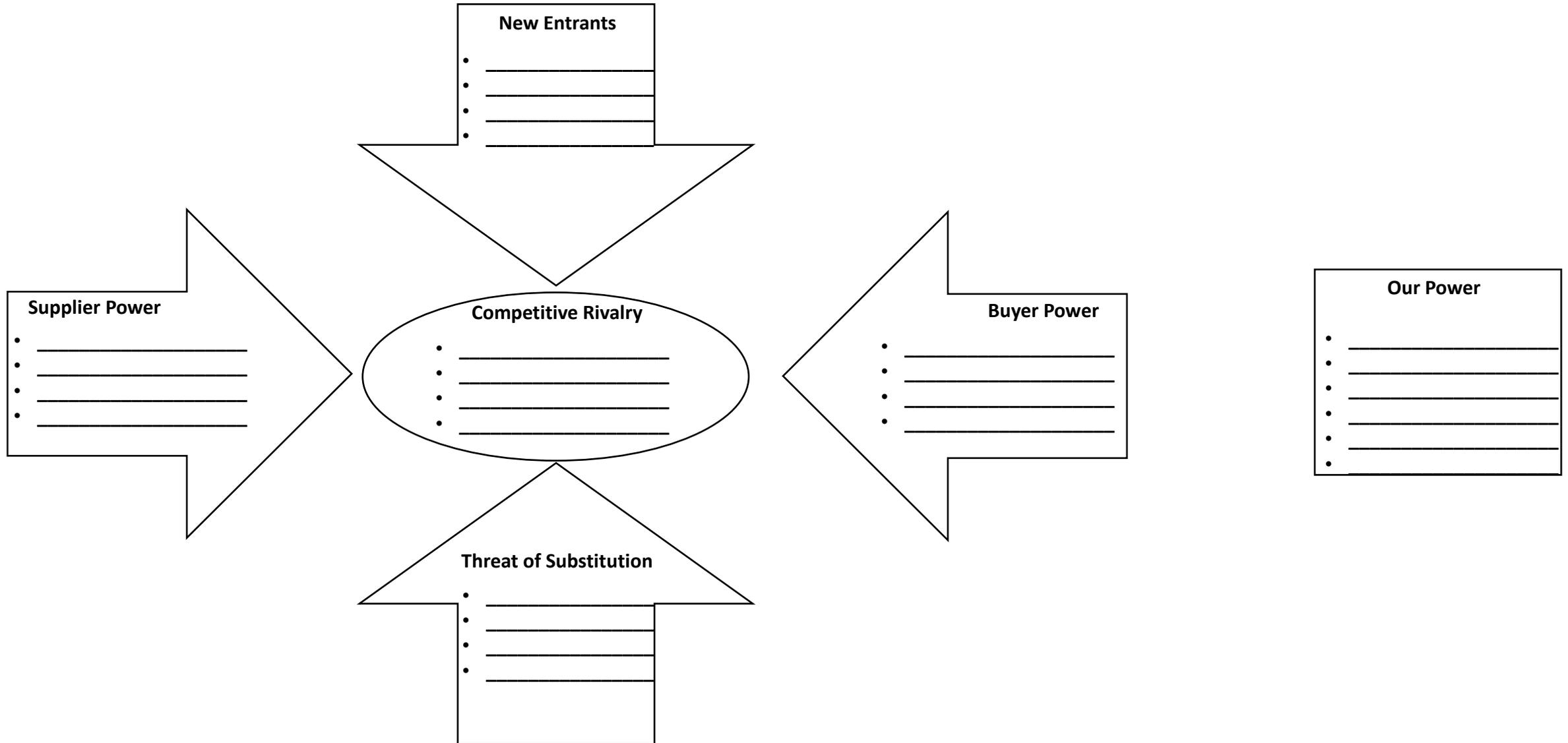
Porters Five Forces





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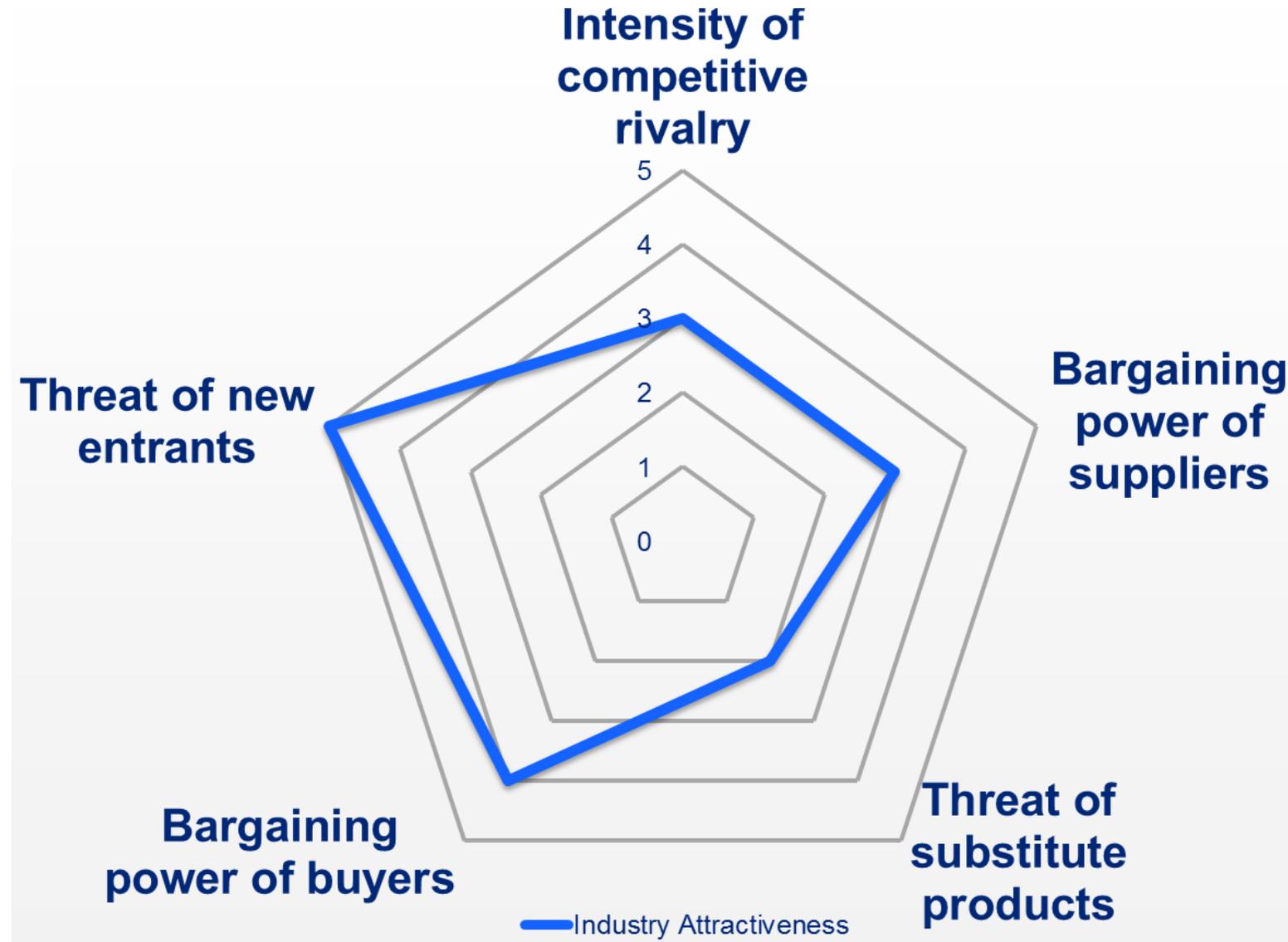
Porters Five Forces - Template





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Porters Five Forces - Spiderchart





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