

## **Competitive Forces**

### Data #1

- competition in an industry is rooted in its underlying economics
- customers, suppliers, potential entrants, and substitute products are all competitors that may be more or less prominent or active depending on the industry
- competition in an industry depends on five basic forces, which are diagrammed in Figure 1 in appendix A

(<sup>1</sup> Michael E. Porter (April, 1979) *How Competitive Forces Shape Strategy*.

Retrieved (November 28, 2009) from the website:

[www.bolender.com/.../How%20Competitive%20Forces%20Shape%20Strategy.doc](http://www.bolender.com/.../How%20Competitive%20Forces%20Shape%20Strategy.doc))

### Data #2

- industry structure drives competition and profitability, not whether an industry produces a product or service, is emerging or mature, high tech or low tech, regulated or unregulated
- industry structure, manifested in the competitive forces, sets industry profitability in the medium and long run
- the strongest competitive force or forces determine the profitability of an industry and become the most important to strategy formulation

(<sup>2</sup> Michael E. Porter. *The Five Competitive Forces That Shape Strategy*.

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Retrieved (November 28, 2009) from the website:

<http://hbr.harvardbusiness.org/2008/01/the-five-competitive-forces-that-shape-strategy/ar/1>)

### Data #3

- Performing a SWOT analysis allows firms to identify their competitive advantage
- unique features of a company are perceived by the target market as significant and superior to the competition
- three types of competitive advantages: cost, product/service differentiation, and niche strategies

(MKTG, Canadian Edition 2010. Charles W. Lamb, Joseph F. Hair, Jr., Carl McDaniel, Harish Kapoor, Henry Klaise, and Richard Appleby)

- Based on the above competitive information, I can conclude that customers, suppliers, potential entrants, and substitute products are all competitors. The strongest competitive forces determine the profitability of an industry and become the most important to strategy formulation.

## **Social Factors**

### Data #1

- Social change is the most difficult external variable for marketers to forecast, influence, or integrate into marketing plans
- Includes our attitudes, values, and lifestyles
- Influences the products people buy, the prices paid for products, the effectiveness of specific promotions, and how, when, and where people expect to purchase products

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## **APA Citation Style**

<http://www.liu.edu/cwis/cwp/library/workshop/citapa.htm>

## Appendices

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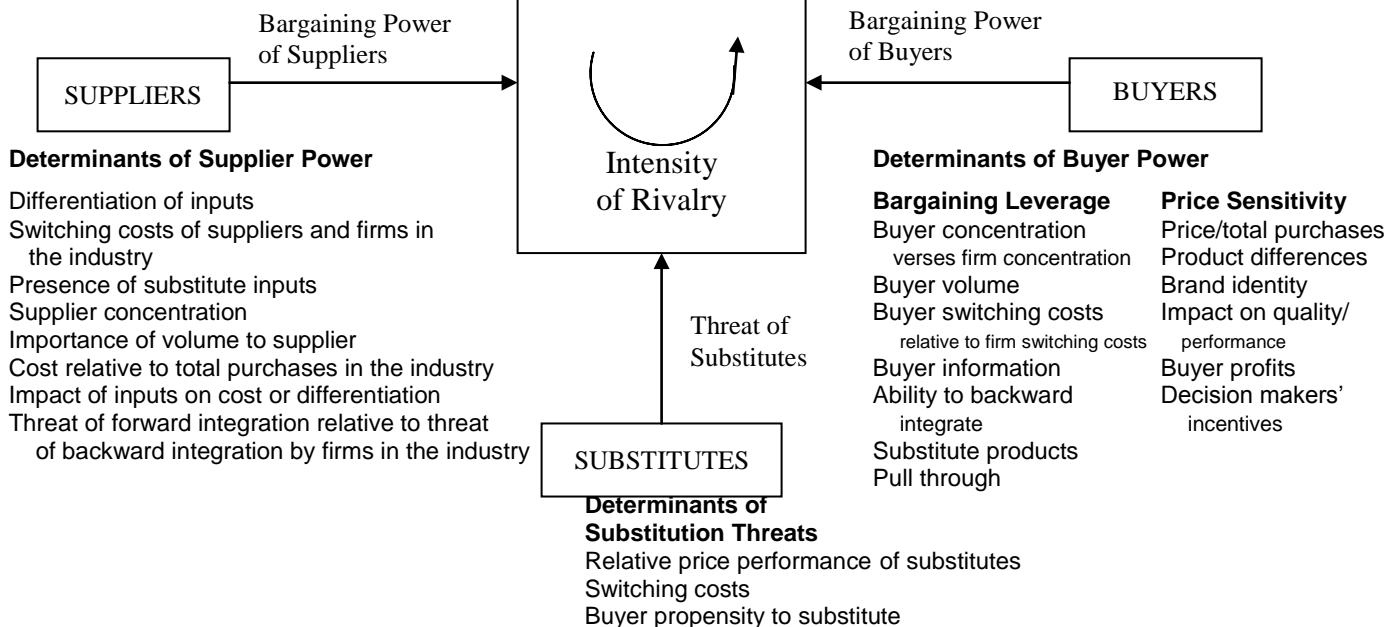
**FIGURE 1**  
**Elements of Industry Structure**

### Entry Barriers

- Economies of scale
- Proprietary product differences
- Brand identity
- Switching costs
- Capital requirements
- Access to distribution
- Absolute cost advantage
  - Proprietary learning curve
  - Access to necessary inputs
  - Proprietary low-cost product design
- Government Policy
- Expected retaliation

### Rivalry Determinants

- Industry growth
- Fixes (or storage) costs/value added
- Intermittent overcapacity
- Product differences
- Brand identity
- Switching costs
- Concentration and balance
- Informational complexity
- Diversity of competitors
- Corporate stakes
- Exit barriers



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## The Five Forces That Shape Industry Competition

