## 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.


### 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.


### 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.


- 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.

http://www.jstor.org/action/showPublisher?publisherCode=jcr-inc
http://www.asanet.org/
http://www.asanet.org/cs/root/leftnav/research_and_stats/health_of_sociology_fact_sheets

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


**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

**Determinants of Supplier Power**
- Differentiation of inputs
- Switching costs of suppliers and firms in the industry
- Presence of substitute inputs
- Supplier concentration
- Importance of volume to supplier
- Cost relative to total purchases in the industry
- Impact of inputs on cost or differentiation
- Threat of forward integration relative to threat of backward integration by firms in the industry

**Determinants of Buyer Power**
- Buyer concentration versus firm concentration
- Buyer volume
- Buyer switching costs relative to firm switching costs
- Buyer information
- Ability to backward integrate
- Substitute products
- Pull through

**Determinants of Substitution Threats**
- Relative price performance of substitutes
- Switching costs
- Buyer propensity to substitute

**Price Sensitivity**
- Price/total purchases
- Product differences
- Brand identity
- Impact on quality/ performance
- Buyer profits
- Decision makers’ incentives

Used with permission of The Free Press, a Division of Macmillan Inc. from Competitive Strategy: Techniques for Analyzing Industries and Competitors by Michael E. Porter. Copyright © 1980 by The Free Press. [used in place of article's Figure 1 as it contains more detail]
The Five Forces That Shape Industry Competition

- Threat of New Entrants
- Bargaining Power of Suppliers
- Rivalry Among Existing Competitors
- Bargaining Power of Buyers
- Threat of Substitute Products or Services