

Lecture 3 - Porter's Five Forces Competitive Analysis

(Researched Examples in blue)

Porter's 5 Forces Model is a good analysis of the current situation in determining the answer to where are we now? in the planning cycle

The 5 forces are:

- Existing Competitors
- Threats from New Entrants
- Threats of Substitutes
- Bargaining power of Suppliers
- Bargaining power of buyers

The strength of these forces ultimately affects the profitability of the industry and a firm's ROI (Return on investment).

A weak force is seen as an opportunity and allows the firm to dominate that area.

First the industry competitors need to be identified, their objectives, strategies, strengths and weaknesses, their potential reactions

Coca Cola's 5 Forces Model

Competitors: Moderate Strength

- Coca Cola is market leader at 64%

Substitutes: High Threat

- Any other beverage which may be cheaper and healthier or more accessible

New Entrants: Low Threat

- Good distribution
- Brand Identity
- Market Leader
- Capital Requirements

Supplier Power: Moderate

- Ingredients
- Packaging
- Distributors

Buyer Power: Low

- Sponsorship deals give exclusivity
- Brand loyalty
- Own many other soft drink brands Fanta and Sprite

Competitors can be placed in clusters of strategic groups, in order to identify and differentiate them. Kotler's Market Structure States there are Market Leaders, Market Challengers, Market Followers and Market Nichers

Market Leaders: Tesco

Challengers: ASDA Sainsburys

Followers: Morrisons

Nichers: Iceland