

- What are the five competitive forces that determine industry's profit potential? Give Example at least three factor from each.

Michael Porter's Five Forces Model of Competition



1. Threat of New Entrants: Barriers to Entry

Economies of scale mean larger firms can produce at lower cost per unit. This tends to lower the number of firms in the industry and reduce competition.

Proprietary product differences are the characteristics that make a product appeal to a large market segment. But only those characteristics that cannot be copied at low cost by competitors ("proprietary") will be a barrier to entry.

Brand identity is the extent to which buyers take the brand name into account when making purchase decisions.

Capital requirements are the total cost of acquiring the plant and equipment necessary to begin operating in the industry.

Switching Costs

Access to Distribution Channels

Cost Disadvantages Independent of Scale

Government Policy

Expected Retaliation