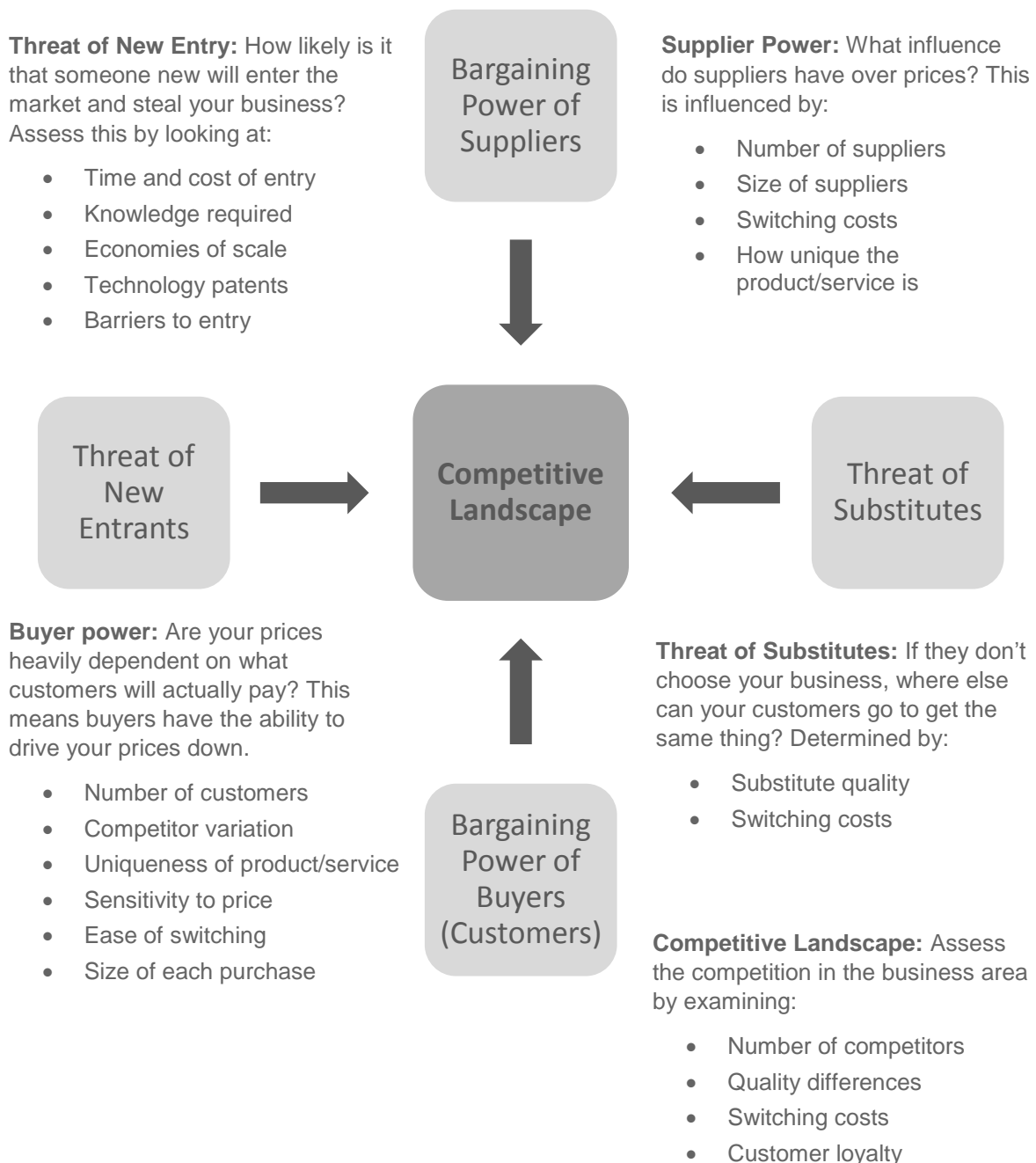


Analysing new markets: 5 forces analysis

If you are considering trying something new in your business – be it a new product or a different market – it is critical that you understand the balance of power in your relevant business situation. You might have already sat down and asked yourself a few questions on this subject. How strong is your current position? How strong will your new position be? How strong are the existing players? What are the risks of this new position?

Porter's 5 Forces brings these questions together into a single framework that allows you to assess the level of competition within a particular business situation, and gain an understanding of the existing balance of power. As you can see from the diagram below, the factors influence each other through the competitive landscape, where the balance of power is affected by supply chain factors or potential competition.

Read the examples below, and then perform a 5 Forces analysis for your own situation using the template on the following page.



Analysis example

Use the factors listed in the diagram above to assess each force. List the factors (and add your own if necessary), and give each one a level (e.g. HIGH, MEDIUM, LOW). Then, assess the implications of this rating on the force in question: will this help your business? Finally, make some concluding notes about the force, and its overall effect on market attractiveness. It might be that after a 5 Forces analysis you decide not to enter the market after all!

Here is an example for how a pop-up coffee shop might analyse the bargaining power of customers.

Buyer power	
Factor	Implications
<ul style="list-style-type: none"> • Large number of coffee drinkers in Melbourne • People generally make small orders, one coffee at a time • There are many coffee shops around, but pop-ups can choose more convenient locations • Customers will only pay in the range of \$3-5 for a coffee • It costs buyers nothing to switch to a competitor 	<ul style="list-style-type: none"> • HIGH number of customers LOWERS buyer power • SMALLER orders means less dependency and HIGHER c.p. • MEDIUM differentiation can mean LOWER c.p. only when convenience is a factor • HIGH price sensitivity means HIGHER customer power • LOW switching costs means HIGHER customer power
Conclusion	
<p>Low buyer power is good for a business (we can charge higher prices). As there are slightly more factors suggesting HIGH buyer power in this segment, this will have a negative impact on business, and decreases the attractiveness of this market.</p>	

5 Forces analysis

Company name:

Date:

Market to be examined:

Buyer power	
Factor	Implications
Conclusion	

Supplier power	
Factor	Implications
Conclusion	

Competitive landscape	
Factor	Implications
Conclusion	

Threat of new entrants	
Factor	Implications
Conclusion	

Threat of substitutes	
Factor	Implications
Conclusion	