

Porter's five forces sports good store essay sample

[Business](#), [Customers](#)



Bargaining Power of Suppliers

Supplier bargaining power is likely to be high.

*The market is dominated by a few large suppliers rather than a fragmented source of supply,

*There is the possibility of the supplier integrating forwards in order to obtain higher prices and margins.

*Forward integration provides economies of scale for the supplier

Bargaining Power of Customers

Customers bargaining power is likely to be high

*Switching to an alternative brand or store is relatively simple and is not related to high costs,

*Customers have low margins and are price-sensitive,

*The product is not strategically important to the customer,

*There is the possibility for the customer integrating backwards.

Threat of New Entrants

The competition in a sports good industry will be high; it is easier for other companies to enter this industry. In such a situation, new entrants could change major determinants of the market environment (e. g. market shares, prices, customer loyalty) at any time.

*Distribution channels are controlled by existing players,

*High switching costs for customers

Threat of Substitutes

Threat from substitutes in a sports goods retail industry is high

*there are many possible substitutes such as the internet, chains outside of the city and small specialty stores that sell a small number of sporting goods.

Competitive Rivalry between Existing Players

Competition between existing players is likely to be high

*There are many players of about the same size,

*Players have similar strategies

*use of internet, allowing customers to buy from other stores

There is not much differentiation between players and their products; hence, there is much price competition. Barriers for exit are high (e. g. expensive and highly specialized equipment)

Note: we can state from Porter's five forces that it is not a very attractive industry to enter. The competition is high and survival rate is low. In Boston, there are more than 50 stores, making it harder for a new one to enter this field. The suppliers have a strong hold over the market with customers having their own brand preferences and loyalty.