

Porter's five forces analysis

[Business](#), [Management](#)



Question: 1. Identify an organization with which you are familiar and conduct a Porter's Five Forces analysis. 2. What are the key success factors of the organisation identified? Businesses worldwide experience some form of competition whilst operating in their respective industry. In the macro-environment there are factors that exist that can determine whether or not an organization gains competitive advantage or becomes viable. Michael Porter developed a Five Forces model to aid in analyzing the industry. These Five forces are:- - Competitive rivalry - Threat of entry - Threat of Substitutes - Bargaining Power of Buyers - Bargaining Power of Suppliers A Porter's Five Forces analysis is being conducted on Island Dairies Ltd a dairy company in Jamaica. COMPETITIVE RIVALRY — Competitive rivals are organizations who produce similar products and/or services who targets the same market. THREAT OF ENTRY:- This is dependent on the various barriers that exist when a firm is entering the industry/market. Barriers to entry are viewed as equilibrium adjustments that markets make. There are stiff requirements as to the production of certain products due to health regulations and requirements imposed by the Health Ministry (Government). These have to be adhered to before operation can begin. Also, the capital required to start such a business is very high as in order to commence production the organization will have to invest a lot in purchasing machinery and setting up a factory. THREAT OF SUBSTITUTES:- A substitute is referred to as a product produced by another company in another industry that can be used as an alternative. A threat exists when demand for a product is affected by the change in price of the alternative. For Island Dairies who produces cow's milk if the price in a substitute such as Lasco Powdered Whole Milk is reduced

then this will pose a threat to them as consumers will prefer to buy the cheaper of the two. **BARGAINING POWER OF BUYERS:-** The power of the buyer is the impact that the buyer has on the industry. If there are few buyers and a large number of sellers then buyer power is high. In Jamaica there are more buyers than sellers of dairy products, therefore buyer power is weak. In the circumstances Island Dairies will influence buyers to purchase either directly from them or from a retailer. **BARGAINING POWER OF SUPPLIER:-** As a production firm they require raw materials and other supplies. This requirement will automatically lead to the supplier (provider of raw materials) and the buyer (the industry) forming a relationship. If the supplier power is high then the supplier can manipulate its power by selling raw materials at a high cost this occurs when there is a fragmented source of supply. On the other hand if there are a lot of suppliers then there will be competition to gain the buyer of the raw materials. What Island Dairies has done is that in their milk production instead of acquiring milk from farmers they have their own cows from which the milk comes from. The Key success factors of the organization identified are:- 1. Its ability to capitalize on the supply chain so as to reduce its costs. — They do this by owning (having as assets) the raw materials needed to carry out production. 2. Its ability to remain in competitive advantage over its rivals 3. Its ability to maintain standards, low price and quality although substitutes are available 4. They are able to maintain their market share as they have very loyal customers