Porter's Five Forces

Business & Management

The five pressures that decide how profitable an industry can be.

Structural forces determining average industry profitability.

Force	Strong when
Rivalry	Many similar firms, slow growth, high exit costs
New entrants	Low capital, no brands, no regulation
Substitutes	Cheap alternatives meeting the same need
Buyer power	Few large buyers, low switching costs
Supplier power	Few suppliers, unique inputs, high switching costs

All five strong means commodity economics. Airlines score badly on nearly all of them; software often scores well.