

Marketing Management

Lecturer : Dr. Leul Girma



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Course & Class Information

Course: Business Strategy

Program: Master's in Business Administration (MBA)

Credits: 6 ECTS

Mode: Onsite / Blended

Class 4: Porter's Five Forces Model : Industry-Level Marketing Analysis

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Main Teaching & Learning Materials

Core textbooks

- Principles of Marketing, 17th GLOBAL Edition
- The Ultimate Guide to Digital Marketing
- Instructor lecture slides and notes
- Case studies and real-world examples
- Academic articles and selected readings



Objective and Learning Outcomes

To introduce students to **industry-level marketing analysis** and **enable them to apply Porter's Five Forces framework** for evaluating industry structure, competitive intensity, and strategic positioning.

By the end of this class, students will be able to:

- Explain the purpose of **industry-level marketing analysis**
- Identify the **key elements that shape** industry competition
- Analyze **each of Porter's Five Forces** in the **industry context**
- Determine **industry attractiveness** and **profit potential**
- Apply Five Forces insights **to formulate strategic recommendations**

Porter's Five Forces Model Overview

Porter's Five Forces is a framework that analyzes **five competitive pressures** shaping an industry helping marketers understand customer power, rival intensity, and threats to market share (Porter, 2008).

Key characteristics

- Reveals **rivalry intensity** in pricing, ads, and channel battles
- Assesses **buyer power** to demand discounts or better service
- Identifies **supplier power** over costs and product quality
- Highlights **substitute threats** that pull customers away

Force 1 – Industry Rivalry Among Competitors

Industry rivalry refers to the intensity of **competitive actions and reactions** among firms in a market including price competition, advertising battles, product launches, and service improvements (Porter, 2008).

Key characteristics :

- Drives **price wars** that erode margins and brand value
- Increases **advertising spending** to defend or gain market share
- Accelerates **product innovation** and feature copying
- Compresses **distribution access** as rivals fight for shelf space

Force 2 – Threat of New Entrants

The threat of new entrants refers to the risk that **new competitors enter the market**, capturing customer share, intensifying rivalry, and putting pressure on prices and marketing effectiveness (Porter, 2008).

Key characteristics

- Forces existing brands to **increase marketing spend** to defend customer loyalty
- Compresses **pricing power** as newcomers offer lower prices or incentives
- Fragments **customer attention** across more advertising and promotion channels
- Erodes **brand differentiation** if entrants copy features or positioning

Force 3 – Bargaining Power of Buyers

Buyer power refers to the ability of **customers to negotiate lower prices, demand better quality, or switch easily** between competing brands, directly impacting marketing strategy and profitability (Porter, 2008).

Key characteristics :

- Forces brands to **invest in loyalty programs** and retention campaigns
- Increases pressure for **price discounts, promotions, and added value**
- Demands **superior customer service** and personalized experiences
- Accelerates **reputation management** as buyers share opinions online

Force 4 – Bargaining Power of Suppliers

Supplier power refers to the ability of **suppliers to raise costs, limit access to key inputs, or control quality**—affecting product availability, pricing flexibility, and brand promise delivery (Porter, 2008).

Key characteristics:

- Limits **product consistency** and reliable stocking for promotions
- Increases **costs** that may be passed to customers through higher prices
- Restricts **distribution channels** if suppliers favor competing brands
- Constrains **innovation timelines** when suppliers control key components

Force 5 – Threat of Substitutes

The threat of substitutes refers to the risk that **customers switch to alternative products or services** outside the industry that fulfill the same need—reducing demand for existing brands (Porter, 2008).

Key characteristics :

- Shifts **customer attention** away from category advertising and promotions
- Compresses **price ceilings** as substitutes offer comparable value at lower cost
- Forces **differentiation** beyond product features into experiences or relationships
- Accelerates **innovation cycles** to stay ahead of indirect competitors

Applying Porter's Five Forces in Practice

Practical Tool 1: Switching Cost Assessment Framework

Switching Cost Factor	Low (0)	Medium (1)	High (2)
Contract termination fee	No fee	Small fee	Large fee
Time to learn new product	Minutes	Hours	Days / weeks
Data or content migration	Easy	Some effort	Very difficult
Loyalty points lost	None	Some	All
Total Score	0-2 = Low switching cost (high buyer power)	3-5 = Medium	6-8 = High switching cost (low buyer power)

Practical Tool 2: Competitor Rivalry Intensity Map

Few Competitors

Many Competitors

Slow Market Growth

Medium rivalry

High rivalry (price wars)

Fast Market Growth

Low rivalry (everyone
grows)

Medium rivalry

Practical Tool 3: New Entrant Barrier Checklist

Barrier to Entry	Present? (Yes/No)	Marketing Action if "No" (weak barrier)
High brand loyalty	☐ Yes / ☐ No	Invest in brand building and customer advocacy
High capital for advertising	☐ Yes / ☐ No	Build owned media (SEO, email, content)
Exclusive distribution contracts	☐ Yes / ☐ No	Secure long-term channel partnerships
Regulatory licenses or patents	☐ Yes / ☐ No	Highlight compliance as trust signal
High customer switching costs	☐ Yes / ☐ No	Create subscription or loyalty programs

If 3 or more "No" → high threat. Defend with pre-emptive marketing

Supplier Power Negotiation Scorecard

Few alternative suppliers available	1 2 3 4 5
Supplier's brand is known to your customers	1 2 3 4 5
Switching suppliers is costly or slow	1 2 3 4 5
Supplier could integrate forward (become your competitor)	1 2 3 4 5

Total Score: ____ /**20**

15–20: High supplier power

5–9: Low supplier power

Marketing action: If supplier power is high, feature supplier co-branding

Practical Tool 5: Substitute Threat Matrix

Substitute Product/Service	Customer need met	Why customers switch? (price, convenience, performance)	Marketing defense
1.			
2.			
3.			

Three quick questions to assess substitute threat:

Question	Yes = High Threat
Do customers need minimal retraining to switch?	☐ Yes
Is the substitute cheaper or more convenient?	☐ Yes
Does the substitute improve over time (e.g., technology)?	☐ Yes

If 2+ "Yes" → High substitute threat. Immediate marketing actions:

- Highlight **unique benefits** substitutes cannot copy (trust, ecosystem, service)
- Bundle products to **reduce net benefit** of switching
- Create **loyalty rewards** that lose value if customer leaves

Practical Tool 6: One-Page Five Forces Strategy Canvas

Force	Rating (Low/Med/High)	1 or 2 Key Marketing Action
Rivalry	☐ L ☐ M ☐ H	
New entrants	☐ L ☐ M ☐ H	
Buyer power	☐ L ☐ M ☐ H	
Supplier power	☐ L ☐ M ☐ H	
Substitutes	☐ L ☐ M ☐ H	

Final strategic direction

- ☐ Invest in differentiation
- ☐ Focus on cost leadership
- ☐ Build customer loyalty/retention
- ☐ Partner with suppliers or distributors

Key Takeaways

- Measure **customer switching costs** to assess buyer power and substitute threats
- Use the **rivalry map** and **entrant checklist** to identify competitive pressures
- Apply the **one-page canvas** to diagnose all five forces and choose a clear strategy
- Tools beat theory – always practice with real brands

Further Reading

Kotler, P., & Keller, K. L. (2016). *Marketing Management* (15th ed.). Pearson.

Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard Business Review*, 86(1), 78–93.

Porter, M. E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. Free Press.

Grant, R. M. (2019). *Contemporary Strategy Analysis* (10th ed.). Wiley

Thank you



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