Porter's Five Forces Canvas

Framework: Porter's Five Forces
Use for: Industry attractiveness analysis — understanding the competitive dynamics in a market before entering, investing, or making strategic decisions about where to compete.
Time required: 60–90 minutes with domain knowledge of the industry. Requires actual research to be useful.

How to use this template

1. **Name the industry clearly.** "Software" is not specific enough. "Cloud-based HR software for mid-market companies" is. The more specific the scope, the more useful the analysis.
2. **Rate each force.** After assessing each force, assign a simple rating: High / Medium / Low pressure on profitability. The ratings relative to each other matter more than the absolute labels.
3. **Research first, fill second.** This framework is only as good as your knowledge of the industry. Filling it in from assumptions produces confident-looking nonsense.
4. **Revisit annually.** Industry dynamics shift. A force that was Low a few years ago may be High today (e.g., AI entering a traditionally low-tech industry).
5. **Use it to inform where to play.** Industries with multiple High-pressure forces are structurally unattractive. Industries with Low-pressure forces in most dimensions tend to produce higher average returns.

Industry being analyzed

Industry / market:

> *[Example: B2B SaaS HR software — mid-market segment (200–2,000 employees)]*

Date: __
Prepared by: __

Force 1: Competitive Rivalry

Question: How intense is competition among existing players?

Pressure on profitability: ☐ High ☐ Medium ☐ Low

Assess: - Number of competitors of similar size: __ *- Rate of industry growth (slow growth = more fighting for share):* __ - Degree of product differentiation: __ *- Switching costs for customers:* __ - Exit barriers (what keeps weak players competing anyway): ___

Summary: ___

Force 2: Threat of New Entrants

Question: How easy is it for new competitors to enter this market?

Pressure on profitability: ☐ High ☐ Medium ☐ Low

Assess: - Capital requirements to enter: __ *- Regulatory barriers or licensing requirements:* __ - Brand loyalty / customer switching costs: __ *- Access to distribution channels:* __ - Incumbents' ability to retaliate: __ *- Network effects or economies of scale protecting incumbents:* __

Summary: ___

Force 3: Bargaining Power of Buyers

Question: How much leverage do customers have to push prices down or demand more?

Pressure on profitability: ☐ High ☐ Medium ☐ Low

Assess: - Customer concentration (few large buyers vs many small ones): __ *- Availability of substitutes for what we sell:* __ - Buyer's price sensitivity: __ *- How important our product is to the buyer's business:* __ - Buyer's ability to produce the product themselves (backward integration): ___

Summary: ___

Force 4: Bargaining Power of Suppliers

Question: How much leverage do our suppliers have to raise prices or reduce quality?

Pressure on profitability: ☐ High ☐ Medium ☐ Low

Assess: - Number of suppliers relative to buyers: __ *- Uniqueness of what suppliers provide:* __ - Cost to switch suppliers: __ *- Suppliers' ability to sell directly to our customers (forward integration):* __ - Our importance as a customer to our suppliers: ___

Summary: ___

Force 5: Threat of Substitutes

Question: How easily can customers meet the same need with a different product or approach?

Pressure on profitability: ☐ High ☐ Medium ☐ Low

Assess: - What substitutes exist (not just competitors, but alternative approaches): __ *- Price-performance of substitutes vs. our product:* __ - Buyer's propensity to substitute (how habit-bound are they): __ *- Switching cost from our product to a substitute:* __

Summary: ___

Overall Assessment

Force	Rating	Key driver
Competitive rivalry		
Threat of new entrants		

Force	Rating	Key driver
Bargaining power of buyers		
Bargaining power of suppliers		
Threat of substitutes		

Industry attractiveness overall: ☐ Attractive (mostly Low-pressure forces) ☐ Mixed ☐ Unattractive (mostly High-pressure forces)

Key strategic implications:

1.
2.
3.

Porter's Five Forces is a framework developed by Michael E. Porter, described in his 1979 Harvard Business Review article "How Competitive Forces Shape Strategy." Covered in depth in the Frameworks & Mental Models Guide on biztechprimer.com.
