



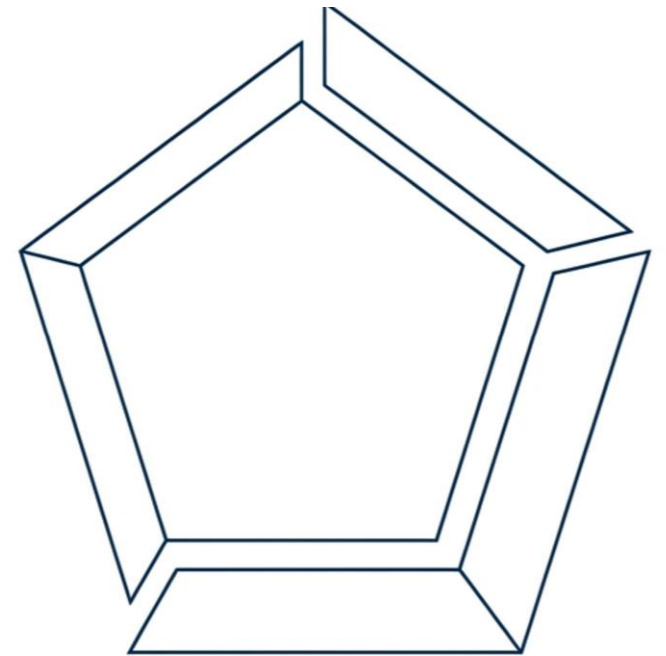
Strategic Frameworks

# Porter's Five Forces of Profitability

Shifting the strategic focus from acquiring market share to preserving margins

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# Competition is not about being the biggest, it is about being the most profitable



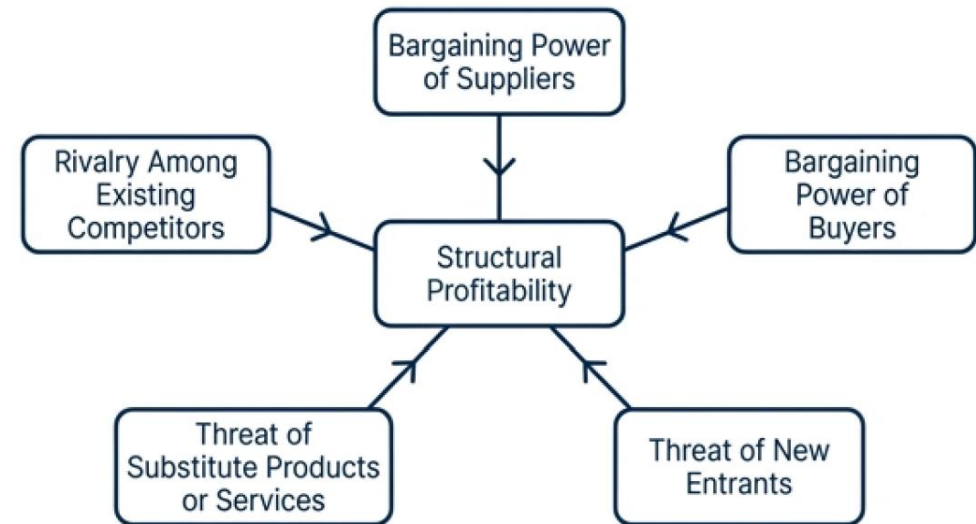
## THE MYTH



Market Share Mentality

Most view business competition as a binary battle for sales or share.

## THE REALITY



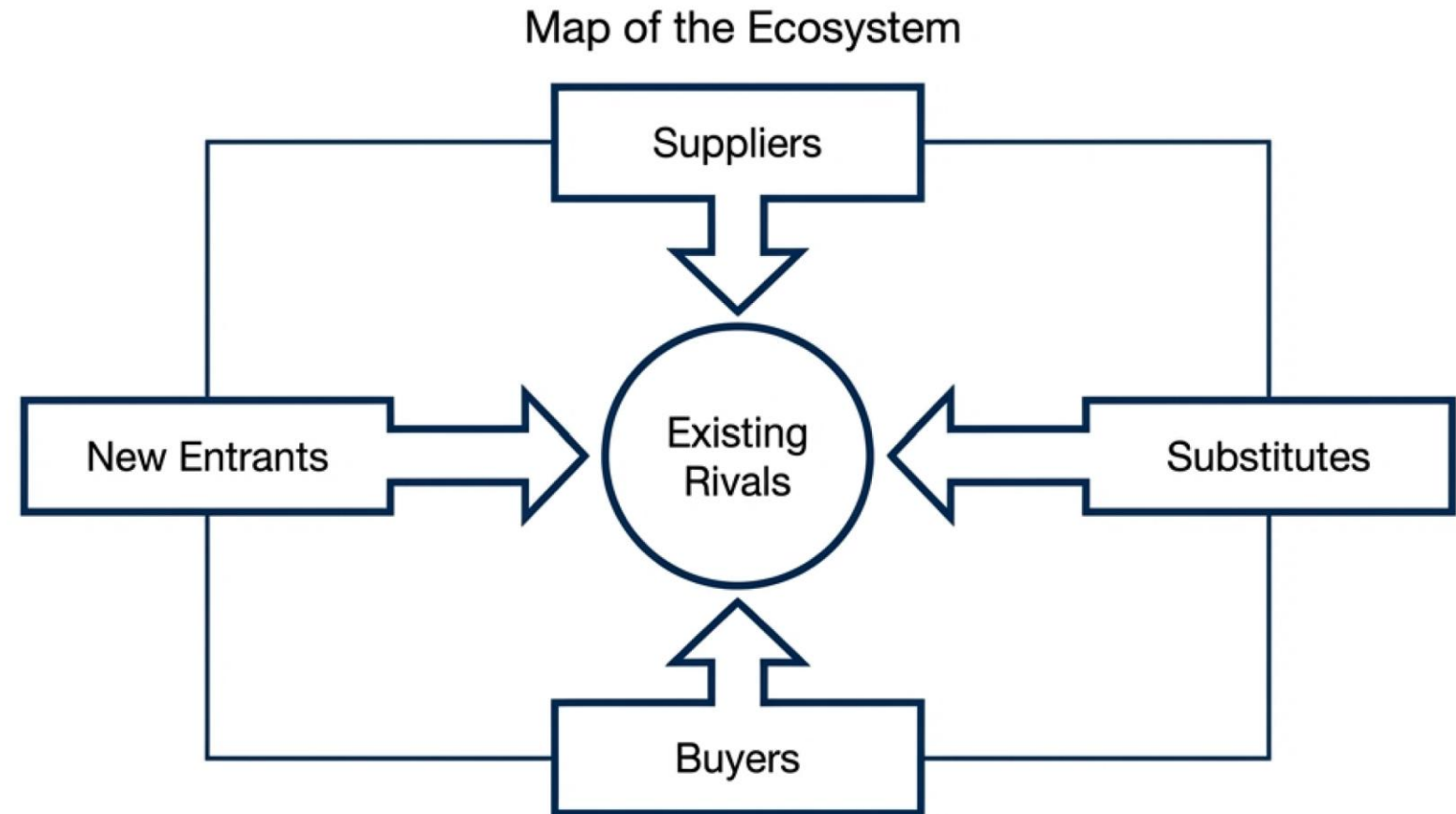
Professor Michael Porter argues that competition is more complex: it is defined by five forces that shape the fundamental structure of an industry.

Key Insight: Examining these forces reveals the true drivers of long-term success.

# Five distinct forces define every industry structure and limit long-term potential

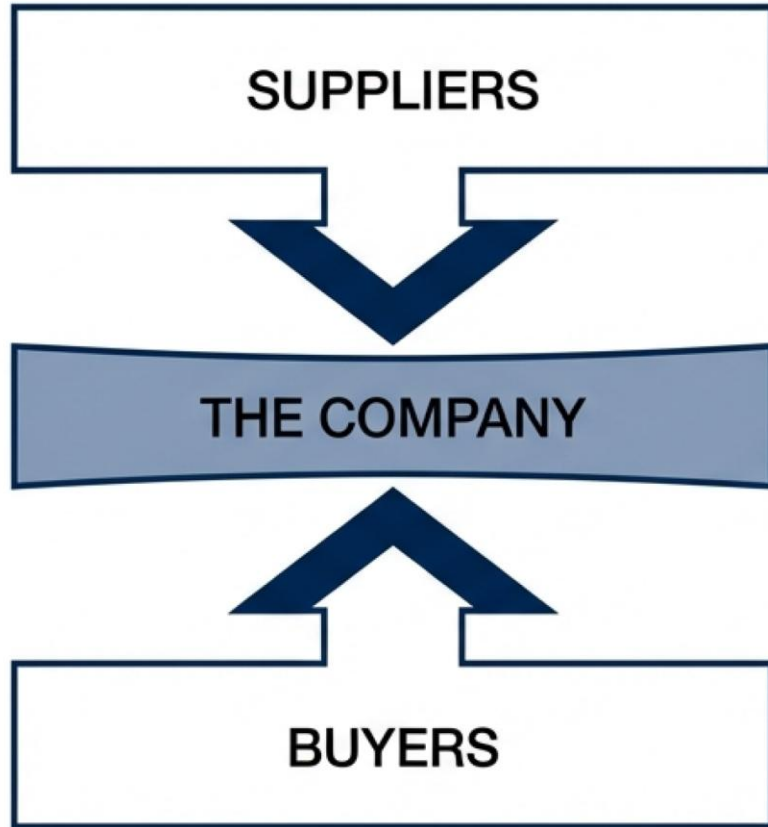


- These forces collectively determine the profit potential of an industry.
- Understanding this ecosystem allows leadership to make better predictions and create more competitive strategies.



Note: The following slides decode these forces using the Airline Industry as a primary case study.

# Vertical pressures from buyers and suppliers squeeze value from both ends of the supply chain



## **The Power to Charge More.**

Suppliers ideally want to be paid more and deliver less. Powerful suppliers use their 'clout' to raise prices or insist on favourable terms, eroding the company's margins.

## **The Power to Pay Less.**

Customers always seek to pay less and get more. In the airline industry, travellers are price-sensitive, demanding the cheapest flights, creating fierce price competition.

# Lateral threats arise from new business models and non-obvious rivals in different industries

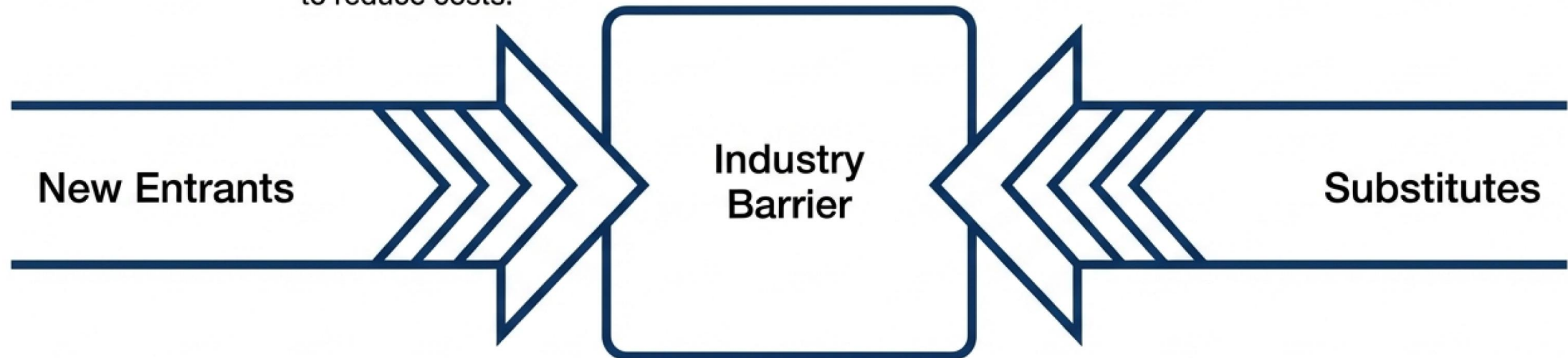


## **Disruptive Models.**

Entrants create tension by introducing new approaches. Example: Southwest Airlines challenged the industry by flying a single aircraft type to reduce costs.

## **Alternative Solutions**

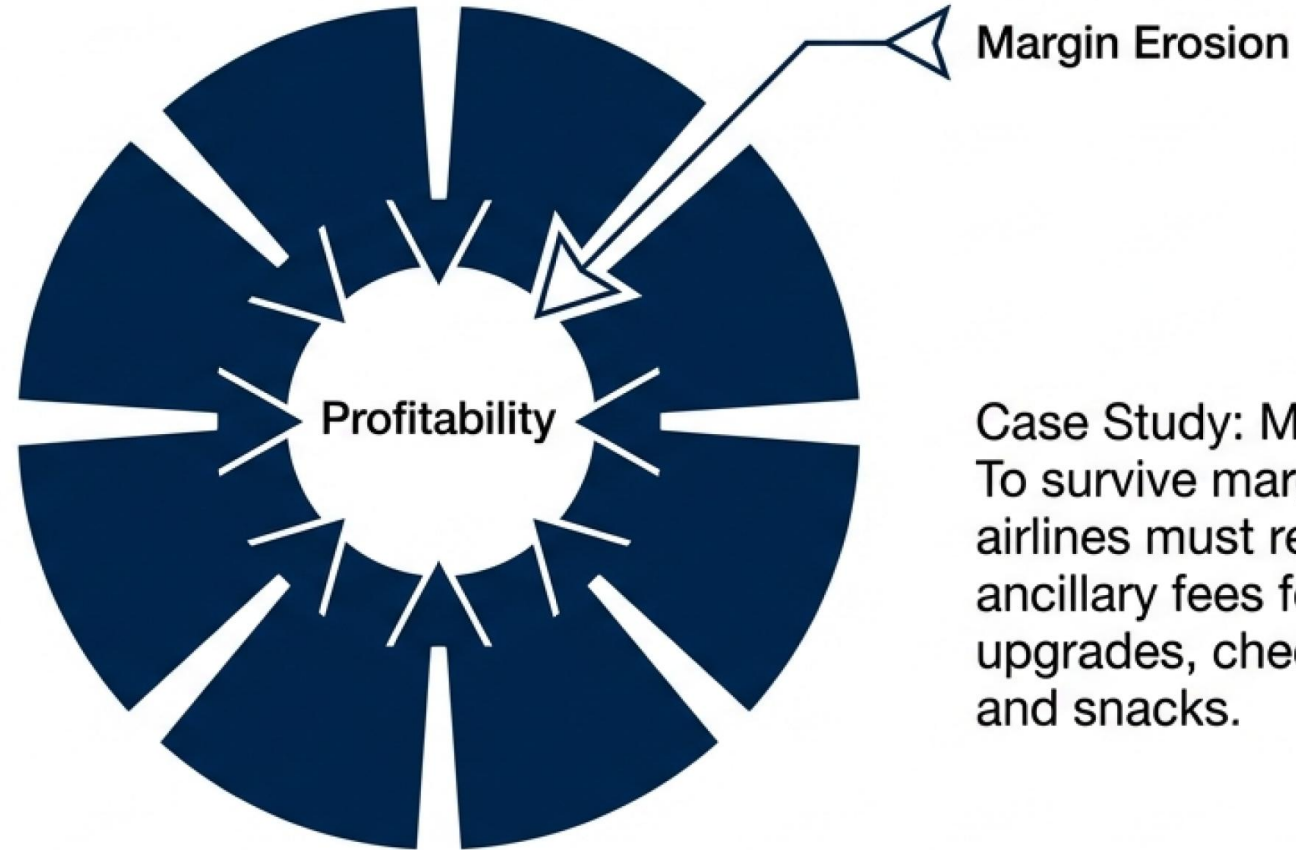
Competition comes from products or services that meet the same basic need but originate from different industries. These are “non-obvious rivals” that cap pricing power.



# Lateral threats arise from new business models and non-obvious rivals in different industries

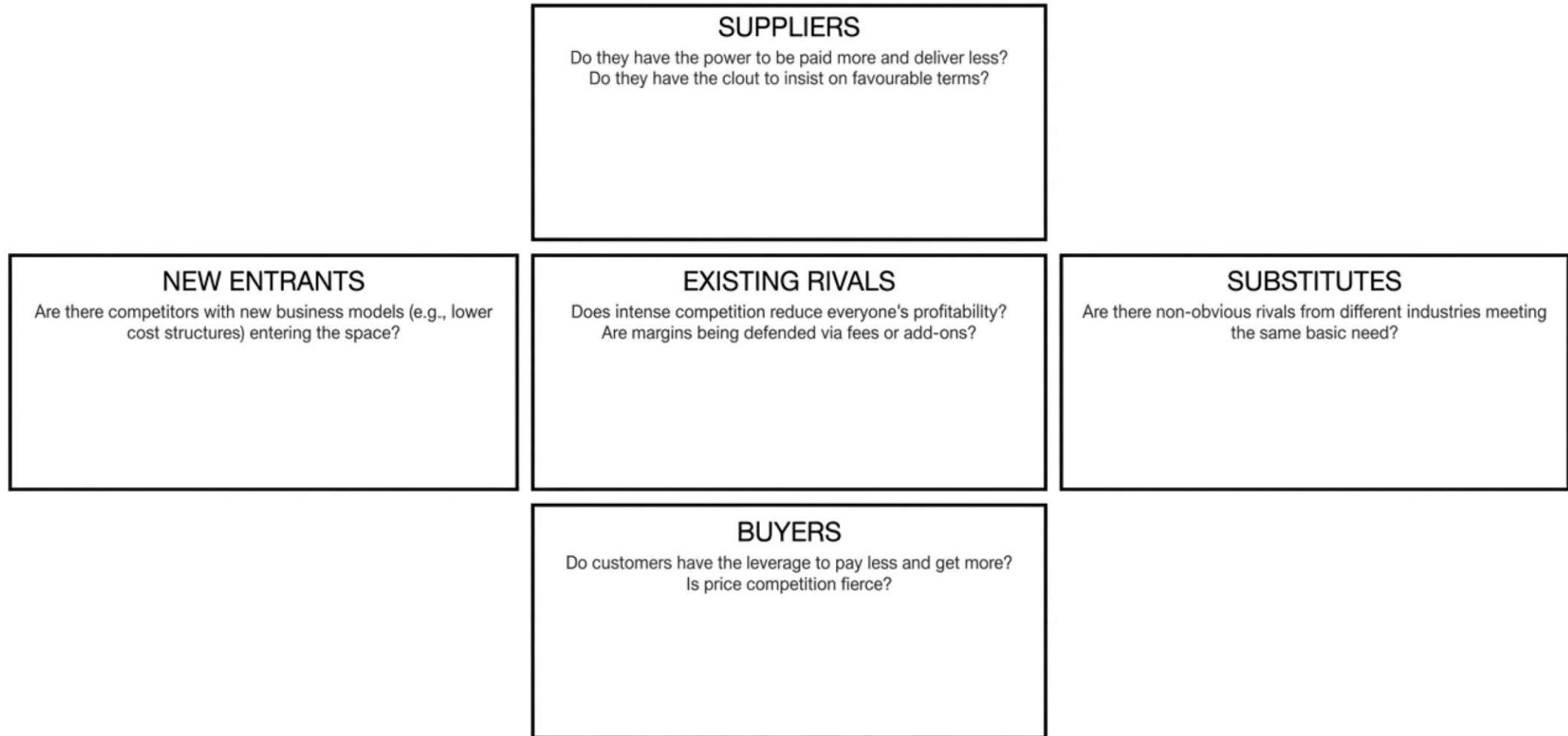


When the other forces are strong, rivalry intensifies, reducing profitability for everyone in the sector.



Case Study: Major Airlines. To survive margin erosion, airlines must resort to ancillary fees for exit row upgrades, checked bags, and snacks.

# Strategic Worksheet: Assessing Industry Profitability



# Understanding industry structure is the prerequisite for margin preservation



**Next Step: Utilise the worksheet on the previous slide to diagnose your current industry position.**