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Porters Five Forces

The first force is threat of entry. This deals with the difficulty to enter into the industry. The Home Depot may experience more competition in their industry if the threat of entry is high. Some of these barriers may include; economies of scale, product differentiation, capital requirements, cost disadvantages independent of size, access to distribution channels, and government policy. The one that may pose the biggest threat to The Home Depot would be product differentiation because their products have striking similarities to other companies in their market.

The second force is powerful buyers. The Home Depot would be considered a powerful buyer because it purchases in large volumes, the products they purchase are standard and not special, and they can find alternatives to products if necessary. However they are a powerful buyer they are not the most powerful comparatively because they do not sell in bulk. The Home Depot would be considered price sensitive because they have very close competitors in their market that also sell similar undifferentiated products.

The third force is powerful suppliers. The Home Depot would not be a powerful supplier because there are many other options people can go to purchase the same products at the same quality for a possibly lower price than The Home Depot sells a products at. Because The Home Depot has many closely related competitors, the customers have the power to choose other companies and in response to losing said customers The Home Depot would have to keep up by lowering prices or adding other services that its competitors do not offer. The Home Depot is considered a buyer and supplier because they determine what products they buy to put on the shelves and supply to the customers. One main thing to remember is that The Home Depot and competitive retailers have a high bargaining power to influence the customers purchasing conditions.

The fourth force is substitute products. Substitute products are goods available in other competitor stores within the same industry. Customers are able to get the same product with similar benefits, because the product is usually produced by the same place. According to Porter, this force shapes the competitive structure of an industry. This is because they deserve the most attention to improve the price performance tradeoff for the products, and the products are produced by industries earning high profits. This relates to The Home Depot and its competitors because they all sell very similar, if not the exact same product.

 The fifth force is jockeying for a position. Jockeying for a position is very relevant to our company The Home Depot. They face many competitors that bring the same products, prices, and services as they do. They may try to differentiate themselves from their competitors however, they still run into tight competition at the end of the day. As we learned when looking at our ratios, The Home Depot is doing just as well as them. There was little differentiation between the ratios. This shows that jockeying for position is relevant to our company.