



Industry Rivalry (Part II in a series on Porter’s Five Forces)

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In May, Kristi Jackson penned a brief introduction to Porter’s Five Forces with the underlying importance of offering a framework by which Tribes can assess which industries to target for purposes of economic diversification. To recap, those five forces are:

1. **Industry Rivalry:** Assessing and measuring the extent of competition among existing firms.
2. **Threat of New Entrants:** Assessing how easy it is for new competitors to enter the market, including what challenges a new competitor will face (that is, “barriers to entry”).
3. **Threat of Substitutes:** Evaluating what other products are available to consumers that satisfy the same need but originate from a different industry. For example, for entertainment a consumer could choose to watch a movie (film industry) instead of gambling at a casino

(gaming industry).

(These first three are referred to as “horizontal competitive forces” (in industry competition))

4. **Bargaining Power of Suppliers:** Assessing what influence suppliers of raw materials, components, labor, and services have over a company directly impacts profitability.
5. **Bargaining Power of Buyers/ Costumers:** Likewise, if customers have multiple alternatives to working with a company or buying its products profitability can be negatively impacted.
(These last two are referred to as “vertical” competitive forces” (outside industry competition))

This newsletter will focus on **Industry Rivalry**, that is competition among existing firms in an industry. This is really the fundamental starting point of any

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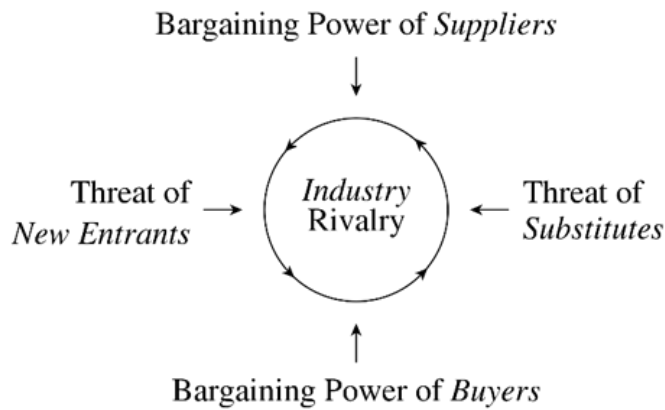
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Behavioral health and wellness program expanded for tribal youth — The Bureau of Indian Education recently extended a program that provides more mental health resources for tribal youth, impacting more than 100 Mountain West schools
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assessment of an industry and the biggest factor in evaluating the competitiveness of an industry. Not many companies are true monopolies. Nearly every business is in a competitive industry, facing varying degrees of competition. It isn't sufficient to merely count the number of existing competitors – there are oligopolies that exhibit strong competitive features (“this town isn't big enough for the two of us”), while there are other industries with myriad competitors, where each of which enjoys a relatively strong profitable position (“Come on in the water is fine”). Key factors in determining Industry Rivalry include:

- **Number and type of competitors:** This factor is intuitive as more competition generally
- **Pricing Power:** This can include a number of factors such as consumer switching costs, industry production capacity and degree of brand loyalty. Industries with high rivalry can often see a chase to the lowest price, which inherently lowers profitability.
- **Industry Growth Rate:** High competition combined with a low-growth industry implies a fight over market share, i.e., the pie is *not* growing, and firms are fighting over the same limited buyers of an industry's products and services. The contrast being high-growth industries, where competitors can exert greater pricing power, product differentiation or both to sustain greater profitability given the growing demand.

equals less profitability. Also important is assessing competitor size and their ability to produce and distribute products which can also influence profitability within an industry.

Keep in mind, every industry is dynamic and always changing. Assessing Industry Rivalry provides a good snapshot of what is occurring today within an industry, but the framework also provides a tool to help evaluate how an industry will change in the future.

We hope this short summary is useful, for a deeper dive into this concept please review the additional resources below. TFA is excited to have partnered with numerous tribes across the country to assist with developing and implementing their economic diversification strategies. We look forward to being an active partner in helping tribes achieve economic sovereignty. Please call us to discuss how TFA can help your tribe reach its economic diversification goals.

Other Resources:

[Harvard Business Review: The Five Competitive Forces that Shape Strategy](#)

[Wikipedia Porter's Five Forces Analysis](#)

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