After evaluating the macro environment, the entrepreneur changes focus to the more immediate competitive environment A useful too for analyzing a specific industry' attractiveness within the competitive environment is the Five Forces Model developed by Michael Porter The five forces interact with one another to determine the setting in which companies compete and, hence, the attractiveness of power of) مساومة) among companies in the industry 2. Bargaining) منافسة) the industry: 1. Rivalry suppliers 3. Bargaining power of buyers 4. Threat of new entrants 5. Threat of substitute products or services The strongest of the five forces Industry is more attractive when: Number of competitors is large, or, at the other extreme, quite small (< 5) Competitors are not similar in size or capacity Industry is growing fast Opportunity to sell a differentiated product or service exists The greater the leverage of suppliers of key raw material or components, the less attractive the industry. Industry is more attractive when: Many suppliers sell a commodity product Substitutes are available Companies find it easy to switch from one supplier to another or substitute product (Switching costs are low) Items account for a small portion of the cost of finished products Buyers' influence is high when number of customers is small and cost of switching to a competitor's product is low. Industry is more attractive when: Customers' switching costs to competitors' products are high Number of buyers is large Customers want differentiated products rather than purchase commodity products they can obtain from any supplier Customers find it difficult to collect information on suppliers' costs, prices, and product features (for comparison) Items companies sell to the industry account for a small portion of customers' finished products