



# A SCENARIO PLANNING GUIDE USING PORTER'S FIVE FORCES

# TABLE OF CONTENTS

What is Scenario Planning?	03
Step 1: Create a Basic Planning Process	03
Step 2: Use the Five Forces to Explore Real Scenarios	04
Step 3: Pull It All Together	09
Scenario Planning Assessment Tool	09
Discussion Prompts for Teams	13





#### "By failing to prepare, you are preparing to fail." - Benjamin Franklin

Running a business means staying ahead of changes in your industry—some you see coming, and others that appear out of nowhere. Whether it's a surprise competitor, a price hike from a key supplier, or a customer asking for a discount you can't afford—every business faces external pressure. But you don't have to be caught off guard.

That's where scenario planning comes in. It's a way to imagine different possible futures and get your business ready for each one.

One of the best ways to do this is by using a tool called Porter's Five Forces. Think of it like a health check-up for your industry. It helps you understand the pressure points around your business and prepare smart responses.

# What is Scenario Planning?

Scenario planning is like a rehearsal for your business. You think through "what if" situations—good or bad—and figure out how you'd respond. It helps you avoid panic, make clearer decisions, and even find opportunities in chaos.

To make it practical, we break scenarios down into five areas—based on Harvard professor **Michael Porter's famous framework:** 

- New Competitors
- Supplier Power
- Buyer Power
- Substitute Products
- Rivalry Among Competitors

Let's walk through each one, step by step.



# Step 1: Create a Business Scenario Planning Process.

#### Before diving into specific scenarios, set up a system to make this process repeatable:

- Hold quarterly leadership sessions to explore new risks and update old ones.
- Use this template to evaluate each scenario, its potential impact, and your planned response.
- Estimate the likelihood of each scenario so you know what to prioritize.
- Link each scenario to a financial model—how much it could cost or earn you.
- Identify early warning signs so you don't get blindsided.



# Step 2: Use the Five Forces to Explore Real Scenarios

1 Threat of New Entrants  Key Question: "How easy is it for someone new to start competing with us?"		
Baseline Check:		
What legal or financial barriers protect your market?		
What's unique about what you do?		
Manda managaratitan manda lata fi managarati		
Would a new competitor need a lot of money to start?		

#### **Scenarios:**

#### Digital Startups Arrive:

Cheaper, tech-driven competitors might attract price-sensitive customers.

- · Reassess which of your products/services are most exposed.
- Consider repositioning yourself based on quality, relationships, or results.

#### Big Players Enter Your Niche:

Well-funded companies could disrupt pricing.

• Prepare a loyalty strategy and highlight your unique value.

#### Industry Mergers:

Larger companies may combine forces, shifting power and focus.

• Think about your relationships—customers will need stability and trust.



Barganing rower or suppliers		
Key Question: "How much control do our suppliers have over our costs?"		
Baseline Check:		
Are you reliant on just a few key suppliers?		
How hard would it be to switch?		
Are they the only ones who offer what you need?		

#### **Scenarios:**

# > Price Hike from Supplier:

- Map out your profit margins and options to adjust pricing.
- Start identifying backup suppliers today.

#### Supply Chain Disruption (3-6 months):

Rargaining Power of Suppliers

- Prioritize which products or customers get first access.
- Keep open communication with your clients—they'll appreciate transparency.

#### Supplier Mergers or Takeovers:

- Consider teaming up with peers to negotiate better deals.
- Explore signing longer contracts with favorable terms now.



# **3** Bargaining Power of Buyers

Key Question: "How much influence do our customers have over our pricing?"
Baseline Check:
Do a few customers make up most of your revenue?
Can customers easily switch to a competitor?
Are your customers highly focused on price?

#### **Scenarios:**

#### Big Customer Wants Deep Discounts:

- Understand your break-even point. Don't say yes out of fear.
- Offer extra value, not just lower prices.

#### Customers Form a Buying Group:

• Find ways to stand out that aren't just price-related—better service, expertise, or reliability.

#### Customers Start DIY Solutions:

- Can you create a "lite" version of your product to offer them?
- Improve efficiency so you can compete without hurting margins.





4 Threat of Substitutes		
Key Question: "Can our customers solve their problem another way?"		
Baseline Check:		
What are the current or emerging alternatives to your offering?		
How do you compare on price and performance?		
How easy is it for customers to switch?		

#### **Scenarios:**

#### New Tech Creates a Better Option:

• Partner or adapt! Can you offer a tech-enhanced version of your product?

#### **Customers Cut Costs in a Downturn:**

- Offer a stripped-down or budget-friendly version.
- Educate them on quality and long-term value.

#### New Rules Favor Substitutes:

- Stay informed about regulation changes.
- Be ready with a "compliance plan" and a marketing message that highlights your continued value.



Key Question: "How intense is the fight between businesses like mine?"		
Baseline Check:		
How many direct competitors do you have?		
Is the market growing or shrinking?		
How different are you from your rivals?		

#### **Scenarios:**

#### Price War Starts:

**5** Competitive Rivalry

- Know the lowest price you can go and still make a profit.
- Emphasize value, not just price—think bundles, speed, service.

#### ◆ A Rival Goes High-Tech:

- Can you adopt new tools like automation or Al too?
- If not, double down on what tech can't do—human connection and flexibility.

#### Game-Changing Innovation:

- · Keep tabs on up-and-coming startups.
- Explore partnerships, or test new ideas quickly yourself.



# **Step 3: Pull It All Together**

#### Use this checklist to make your scenario planning process repeatable:

- · Build a decision tree showing how you'd respond to each scenario
- · List resources you'd need: money, staff, tools
- Identify triggers (e.g., "if supplier raises price by 10%, take action")
- · Assign a team member to watch for warning signs
- · Schedule quarterly reviews to update your plan

# **Scenario Planning Assessment Tool**

Evaluate Your Readiness Across the 5 Competitive Forces

#### Instructions:

- · Read each statement carefully.
- Circle or mark the score that best reflects your current level of preparedness or understanding.
- Use the reflection prompts to identify areas for improvement.
- After scoring all items, review the interpretation section to prioritize next steps.

#### Use the following scale:

Score	Meaning	
1	Not at all – We've never discussed this.	
2	Rarely – It's come up once or twice.	
3	Sometimes – We've touched on it, but not in depth.	
4	Often – We've done work on this, but it needs refinement.	
5	Absolutely – This is well-developed and regularly reviewed.	



#### Section 1: Threat of New Entrants

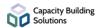
Statement	Score (1-5)	Reflection Prompt
We understand what barriers protect our business from new competitors.		What's currently stopping someone else from copying your model?
We've identified which parts of our business are most vulnerable to disruption.		Where would a low-cost or digital competitor hit first?
We have a plan to respond if a major new competitor enters the market.		Could you hold your ground or shift quickly if needed?

# Section 2: Bargaining Power of Suppliers

Statement	Score (1-5)	Reflection Prompt
We know which suppliers have the most power over our operations.		Would losing one supplier shut you down?
We have backup suppliers or alternatives already in place.		Have you tested them recently?
We have a strategy to respond to price increases or supply disruptions.		Could you adjust pricing or switch sources quickly?

# Section 3: Bargaining Power of Buyers

Statement	Score (1-5)	Reflection Prompt
We understand which customers drive the majority of our revenue.		What would happen if one of them left?
We know how sensitive our customers are to price changes.		Have they ever pushed back on pricing before?
We have strategies to maintain customer loyalty even in price-sensitive markets.		Are you selling value or just price?



#### Section 4: Threat of Substitutes

Statement	Score (1-5)	Reflection Prompt
We've identified current and future alternatives to our product or service.		Could new tech or DIY options replace you?
We understand how we compare to substitutes in terms of price, value, and experience.		Do you know how customers evaluate your solution vs. alternatives?
We've explored ways to enhance our offering or diversify to stay ahead of substitutes.		Could you adapt to changes in customer behavior or tech trends?

# **⊘** Section 5: Competitive Rivalry

Statement	Score (1-5)	Reflection Prompt
We regularly monitor competitors' moves, strengths, and weaknesses.		Who's growing faster than you—and why?
We have a clear point of differentiation in our market.		Would your customer describe you as different from the rest?
We're prepared for pricing pressure or innovation shocks from competitors.		Can you compete without a race to the bottom on price?

# **⊘** Section 6: Scenario Planning Systems

Statement	Score (1-5)	Reflection Prompt
We hold regular strategic planning meetings to discuss future risks and responses.		When was your last meaningful scenario discussion?
We've documented our "what if" scenarios and how we would respond.		Are they written down and shared with the team?
We've identified early warning signs that would trigger action.		What indicators should prompt a change in course?
We've assigned team members to watch key risk areas.		Who owns supplier risk, customer loyalty, or tech disruption?
We have a simple decision tree or guide to help us act quickly.		If X happens tomorrow, does everyone know what to do?



# **⊘** Scoring Interpretation

Add your total score for each section and overall:

Section	Total (Max 15-25)
Threat of New Entrants	
Bargaining Power of Suppliers	
Bargaining Power of Buyers	
Threat of Substitutes	
Competitive Rivalry	
Planning Systems	

Total Score (Max = 100): \_\_\_\_\_

#### Results Guide

Score Range	Interpretation	Suggested Focus
85-100	Excellent – You've built a resilient, forward-thinking operation.	Keep refining and testing. Consider stress- testing your plans.
65-84	Good – Solid foundation with room to grow.	Address moderate gaps and review with your team quarterly.
45-64	Caution – You're vulnerable to industry shifts.	Focus on your weakest forces and begin scenario workshops.
Below 45	At Risk – You're exposed if things change suddenly.	Prioritize immediate attention. Schedule a leadership session to get aligned and build scenario plans.





# **DISCUSSION PROMPTS FOR TEAMS**

1. Which area surprised you the most in your score?
2. What is one scenario that's becoming more likely in your industry?
3. What customer behavior changes have you seen in the last 6 months?
4. Where are we over-relying on a single supplier or customer?
5. What would we do if a tech-driven competitor launched tomorrow?



#### Section 1: Threat of New Entrants

1. What's currently stopping someone else from copying your model?
2. Where would a low-cost or digital competitor hit first?
3. Could you hold your ground or shift quickly if needed?



# **⊘** Section 2: Bargaining Power of Suppliers

1. Would losing one supplier shut you down?
2. Have you tested them recently?
3. Could you adjust pricing or switch sources quickly?



# Section 3: Bargaining Power of Buyers

1. What would happen if one of them left?
2. Have they ever pushed back on pricing before?
3. Are you selling value or just price?



#### Section 4: Threat of Substitutes

1. Could new tech or DIY options replace you?
2. Do you know how customers evaluate your solution vs. alternatives?
3. Could you adapt to changes in customer behavior or tech trends?



# **⊘** Section 5: Competitive Rivalry

1. Who's growing faster than you—and why?
2. Would your customer describe you as different from the rest?
3. Can you compete without a race to the bottom on price?



# **⊘** Section 6: Scenario Planning Systems

When was your last meaningful scenario discussion?
2. Are they written down and shared with the team?
3. What indicators should prompt a change in course?
4. Who owns supplier risk, customer loyalty, or tech disruption?
5. If X happens tomorrow, does everyone know what to do?

