

Porter's Five Forces Analysis: Riverside Bakery

Task 5 – Analyse the industry of your startup business by applying Porter's Five Forces model.

Porter's Five Forces is a framework used to assess how attractive and competitive an industry is, by looking at five pressures that shape it: the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products or services, and the intensity of rivalry among existing competitors. Below, each force is described and then applied to the local bakery and café industry that Riverside Bakery will be operating in, in Peterborough.

1. Threat of New Entrants

This force looks at how easily a new business can enter the industry and start competing for the same customers. If it is cheap and simple to set up, existing businesses face constant pressure from newcomers; if there are significant barriers, such as high costs, regulation, or the need for specialist skills, existing businesses are more protected.

Application and rating: Medium: Starting a small bakery has relatively low capital requirements compared to many industries; someone with baking skills and a modest amount of investment could open a similar shop fairly quickly. However, the barriers are not negligible: a new entrant needs a suitable retail unit (ideally in a visible, walkable location like the riverside area), food hygiene registration and certification, commercial baking equipment, and a baker with the right skills and experience. Building the supplier relationships, reputation, and regular customer base that Riverside Bakery aims for also takes time and cannot simply be bought. This keeps the threat of new entrants at a medium level: easy enough that competitors will appear, but not so easy that quality and reputation count for little.

2. Bargaining Power of Suppliers

This force considers how much control suppliers have over prices and terms. Supplier power is high when there are few suppliers, switching to another supplier is difficult or expensive, or the supplier provides something unique that cannot easily be replaced.

Application and rating: Low to Medium: Core ingredients such as flour, butter, eggs, sugar, and dairy are widely available commodities, sold by many wholesalers, mills, and supermarkets, so Riverside Bakery is not dependent on any single supplier and can switch relatively easily if prices rise or service drops. This keeps supplier power generally low. That said, if the bakery chooses to build its identity around a specific local flour mill or a specialist ingredient supplier to support the 'locally sourced' part of its offer, that particular relationship would carry more weight, nudging supplier power slightly higher for those specific inputs.

3. Bargaining Power of Buyers

This force looks at how much influence customers have over price and quality, which tends to be higher when products are similar across competitors, customers can switch easily, and customers are price-sensitive.

Application and rating: Medium to High: No single customer buys enough from Riverside Bakery to negotiate on price directly, but as a group, customers in Peterborough have plenty of alternatives within easy reach: supermarket in-store bakeries selling bread and cakes at lower prices, chain coffee shops such as Costa or Greggs, and other independent cafés. Switching from one to another costs the customer nothing beyond walking a different direction, which gives buyers meaningful power to drive business elsewhere if Riverside Bakery's prices, quality, or service do not feel worth it. This makes ongoing differentiation – fresh, visibly handmade products and a pleasant riverside setting – important for keeping that buyer power in check.

4. Threat of Substitute Products or Services

Substitutes are different products or services that satisfy the same underlying customer need. The threat is high when substitutes are cheaper, more convenient, or just as satisfying, even if they are not direct competitors in the same category.

Application and rating: High: Customers wanting bread, cakes, or a coffee and a snack have many substitute options beyond a specialist bakery: pre-packaged bread and pastries from supermarkets, frozen bake-at-home products, sandwich shops, fast-food outlets, or simply baking at home. Many of these substitutes are cheaper and more convenient, even if the quality is lower. Because the underlying need (food, a drink, a place to sit) can be met in so many other ways, the threat of substitutes is high, which means Riverside Bakery needs to compete on freshness, taste, and experience rather than on price alone.

5. Industry Rivalry

This force measures how intensely existing businesses compete with one another, which tends to increase when there are many similar competitors, slow market growth, and low differentiation between offerings.

Application and rating: Medium to High: Peterborough already has a mix of chain coffee shops, supermarket bakery counters, and a small number of independent cafés and bakeries competing for the same footfall. This points to a reasonably crowded local market, especially around price-sensitive, everyday purchases like a morning coffee or a loaf of bread. Rivalry is eased somewhat by the fact that Riverside Bakery can differentiate itself through its riverside location, freshly made small-batch products, and a community-focused atmosphere, rather than competing head-on with chains purely on price or speed. Even so, rivalry is best treated as medium to high, since competitors can and do adjust their own offering in response to a new entrant.

Overall Conclusion

Taken together, the Five Forces suggest that the bakery and café industry in Peterborough is moderately attractive rather than highly attractive: supplier power is

manageable, but buyer power, the threat of substitutes, and competitive rivalry are all meaningful pressures. For Riverside Bakery, this means success will depend less on competing purely on price and more on building a clear point of difference – quality, freshness, location, and atmosphere – that gives customers a genuine reason to choose it over the many cheaper or more convenient alternatives nearby.