TEMPLATE 02 · STRATEGY

PESTLE & Five Forces

Scan the wider environment and the structure of your industry, then decide what it means for your strategy.

InflexionIQ

Every strategy rests on a view of the outside world. These two tools make that view explicit, so it can be challenged.

PESTLE looks outward at the macro forces that affect everyone. **Five Forces** looks at your industry and asks how much profit is available, and who captures it.

HOW TO USE IT

01 **Scan** each PESTLE factor with people who see different parts of the market.

02 **Rate** impact and likelihood, and keep only the few that really matter.

03 **Assess** the strength of each force for your chosen market.

04 **Write the so-what.** Every finding needs an implication for your strategy.

The so-what is the point. A long list of trends with no implications is research, not strategy.

PESTLE: SIX MACRO FACTORS

P Political
Government policy, elections, trade, tax and public spending.

E Economic
Growth, inflation, interest rates, exchange rates, labour costs.

S Social
Demographics, attitudes, lifestyles, skills and expectations.

T Technological
New technology, automation, AI, digital adoption, R&D.

L Legal
Regulation, employment law, data protection, competition law.

E Environmental
Climate, net zero, resource scarcity, sustainability pressure.

FIVE FORCES: WHAT SHAPES INDUSTRY PROFIT

01 Threat of new entrants
How easy is it for someone new to compete? Scale, capital, brand, regulation.

02 Supplier power
Can suppliers raise prices or cut quality? Few suppliers, high switching costs.

03 Buyer power
Can customers push prices down? Few large buyers, easy switching, price sensitivity.

04 Threat of substitutes
Can customers meet the need another way? Different product, DIY, doing nothing.

05 Competitive rivalry
How intense is competition today? Number of rivals, growth, price wars, exit barriers.

GOOD PRACTICE

- Define the market tightly: forces differ by segment and region.
- Look three to five years out, not just at today's headlines.
- Use evidence where you can, and mark assumptions as assumptions.
- Revisit at least once a year, or when something big shifts.

READING FIVE FORCES

Strong forces squeeze profit. If most forces are high, the market is hard to make money in, and your strategy must change a force (for example by locking in customers) or find a better-protected niche.

Macro trends and what they mean for us

Keep the few that score high on impact and likelihood

FACTOR	KEY TRENDS AND DRIVERS	OPPORTUNITY OR THREAT	IMPACT	LIKELIHOOD	TIMING	SO WHAT FOR US
Political *Government policy, elections, trade, tax and public spending.*		OPP · THREAT	H · M · L	H · M · L	NOW · 1–2 · 3–5 YRS	
Economic *Growth, inflation, interest rates, exchange rates, labour costs.*		OPP · THREAT	H · M · L	H · M · L	NOW · 1–2 · 3–5 YRS	
Social *Demographics, attitudes, lifestyles, skills and expectations.*		OPP · THREAT	H · M · L	H · M · L	NOW · 1–2 · 3–5 YRS	
Technological *New technology, automation, AI, digital adoption, R&D.*		OPP · THREAT	H · M · L	H · M · L	NOW · 1–2 · 3–5 YRS	
Legal *Regulation, employment law, data protection, competition law.*		OPP · THREAT	H · M · L	H · M · L	NOW · 1–2 · 3–5 YRS	
Environmental *Climate, net zero, resource scarcity, sustainability pressure.*		OPP · THREAT	H · M · L	H · M · L	NOW · 1–2 · 3–5 YRS	

Five Forces

MARKET

DATE

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Market defined as

Which customers, products and geography?

1 Threat of new entrants

Barriers to entry, scale, capital, brand, regulation

☐ LOW ☐ MEDIUM ☐ HIGH

Overall attractiveness

How much profit can a player in this market expect?

☐ LOW ☐ MEDIUM ☐ HIGH

2 Supplier power

Number of suppliers, switching costs, inputs that matter

☐ LOW ☐ MEDIUM ☐ HIGH

5 Competitive rivalry

Number and size of rivals, growth, price competition, exit barriers

☐ LOW ☐ MEDIUM ☐ HIGH

3 Buyer power

Concentration, switching costs, price sensitivity

☐ LOW ☐ MEDIUM ☐ HIGH

Complementors & regulators

Who else shapes the market? Optional sixth force.

4 Threat of substitutes

Other ways customers could meet the same need

☐ LOW ☐ MEDIUM ☐ HIGH

So what for our strategy

Which force can we change, and where are we best protected?