Guide 24: Review your competitive position

Your goal

Use strategic frameworks to understand the pressures around your business and its ability to respond. Turn the analysis into useful changes to your canvas.

A framework organises your thinking. Filling boxes with labels is not enough; explain how each factor affects your business.

What to produce

A market analysis using Porter's Five Forces and/or SWOT, with an updated business canvas. The CED task activities teach both frameworks; the listed deliverable permits either or both. Follow your teacher's task instructions.

Use your existing research first. Add focused research where important evidence is missing. The prompts below are support, not extra canvas requirements.

Key terms

- **Competitive rivalry:** pressure from businesses offering similar products in the same market.
- **Substitute:** a different way for customers to meet a similar need.
- **Bargaining power:** the ability of buyers or suppliers to influence prices or terms.
- **Internal factor:** something within the business, such as skills or equipment.
- **External factor:** something outside the business, such as a change in customer preferences.

Step 1: Define the market

State the product type, customer group, and location or channel you are analysing. A local handmade pouch business may face different pressures from a large online retailer.

Review customer findings, competitor prices, supplier information, and relevant external changes. Record sources. Customer reviews can suggest issues, but a few reviews do not represent every customer.

Step 2: Apply Porter's Five Forces

Examine these five sources of competitive pressure:

1. **Rivalry:** Which existing businesses compete for the same customers? How do they compete?
2. **New entrants:** How easy is it for another business to enter? Consider skills, costs, permissions, and access to customers.
3. **Substitutes:** What other ways could customers meet the same need, including keeping what they already own?
4. **Buyer power:** Can customers easily compare offers or switch? Can large buyers demand better terms?
5. **Supplier power:** Are there many suitable suppliers? How difficult or expensive is switching?

For each force you use, explain the evidence, the pressure, and its possible effect. Calling a force “high” or “low” without a reason does not show analysis.

Step 3: Apply SWOT

SWOT groups relevant factors into four categories:

- **Strengths:** internal abilities or resources that help the business.
- **Weaknesses:** internal limits that make success harder.
- **Opportunities:** external conditions the business could use.
- **Threats:** external conditions that could harm it.

Distinguish a condition from an action. “Customers are seeking smaller products” could be an opportunity if evidence supports it. “Make a smaller product” is an action the business might take.

Likewise, “improve advertising” is a proposed action, not a strength. A tested ability to produce clear advertising could be a strength.

Example: Ready Pouch

Ready Pouch is our fictional example business. Its proposed product is a small pencil pouch for students.

These are fictional possibilities. They are not market findings.

Suppose Ready Pouch finds many low-cost ready-made pouches available through the channels its customers use. This could increase rivalry and make price comparison easy. Students could also keep pens in an existing bag pocket, which is a substitute for buying a new pouch.

Suppose the team can make small batches but cannot produce many units quickly. Small-batch flexibility could be an internal strength; limited production capacity could be an internal weakness. They can exist at the same time.

An evidence-supported demand for compact storage could be an external opportunity. A rise in fabric prices could be an external threat.

The business might respond by testing one compact design and limiting its first batch. That response is a decision, not another SWOT label. The team must still check customer demand, production costs, and delivery reliability.

Step 4: Make connections

Do not analyse each factor in isolation. Ask how a strength might help use an opportunity, or how a weakness could make a threat more serious.

Compare the conclusion with your value proposition, customer profile, channel plan, and financial forecast. Explain which parts should change and which should stay.

If the evidence suggests the idea is weak, say so. A careful decision to revise the idea shows learning.

Your turn

Complete the framework or frameworks selected with your teacher. For each important factor, record the evidence, its business effect, and a possible response. Then revise the relevant canvas sections and explain the main change.

Check your work

- I defined the market clearly.
- My labels have reasons and supporting evidence.
- I distinguished substitutes from direct rivals.
- My SWOT separates internal and external factors.
- I separated conditions from proposed actions.
- My revised canvas responds to the analysis.

Next: Prepare your final project

In Unit 4, Task 5, you will check and finalise your business canvas and appendix.

Independent guidance based on the AP Business with Personal Finance CED, printed pages 176-177. This is not an official College Board resource.