switching costs are the expenses or inconveniences that customers face when they change from one product or service to another. These costs can be financial, such as fees to end a contract early, or non_financial, like the time and effort needed to learn a new system or the emotional attachment to a familiar brand.

- **Bargaining Power of Buyers**
  - Influence on Prices
    - Affects suppliers pricing strategy
  - Influence on Costs and Investments
    - More investment needed for better services
  - Pressure on Existing Firms
    - Lower prices
    - Better services
  - Conditions Increasing Buyer Power
    - Full knowledge of product sources and substitutes
    - Significant spending on industry's products (big buyers)
    - Product is not critical to buyer's needs
    - Buyers are more concentrated than suppliers
    - Ease of switching to substitutes

- **Bargaining Power of Suppliers**
  - Specialized offerings increase supplier's clout
  - Influence on Profitability
  - Conditions Increasing Supplier Power and Profitability
    - Products crucial to the buyer and lack of substitutes
    - High switching costs
    - Suppliers more concentrated than buyers

- Nature of Rivalry in the Industry
  - Determinant of Industry Attractiveness and Profitability
    - Significant determinant
    - Influences strategic decisions at different levels
  - Impact on Functional Level
    - Prices being charged
    - More aggressive advertising
    - Building pressures on costs and products
  - Influence on Costs and Profitability
    - Costs of Raw Material and Input Services
    - Distribution costs
    - Attracting customers
  - Intensity of Rivalry
    - More intensive rivalry, less attractive industry
  - Conditions Increasing Rivalry Intensity
    - No clear leader in the industry
    - Numerous competitors
    - High fixed costs
    - High exit barriers
    - Little opportunity for differentiation
    - Slow or diminished industry growth

- Threat of Substitutes
  - Identifying Substitutes
    - Search for products performing the same or nearly the same function
    - Examples: Real estate, insurance, bonds, and bank deposits as substitutes for common stocks
  - High Tech Industries
    - Significant threat of substitutes
    - Examples:
      - Digital filmless cameras replacing film cameras
      - Smartphones replacing traditional cameras