

FIVE FORCES ANALYSIS

CONVENIENCE
STORE IN
THAILAND





Michael Porter's Five Forces Framework



Threat of New Entrants (Barrier to entry)

Market Structure

Monopolistic competition:

The firms sell products which are somehow differentiated, but are close substitutes for each other

→ **High competition**



Low

Switching Cost

No switching costs for consumer in Convenience store industry. There is the possibility of new entrants to be successful

barrier to entry is

low



High

Capital Requirement

As new competitors will require a huge capital investment in order to implement the information technology in their business in order to be competitive

→ **High barrier to entry**



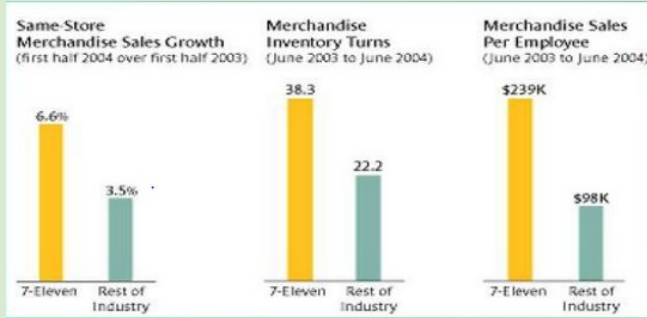
Low

Threat of New Entrants (Barrier to entry)

Economies of Scale

Major player : 7-11

7-Eleven has been able to utilise economies of scale effectively to make profit. They own an extremely large franchise and are still able to be profitable, indicating economies of scale.



Proprietary product differences

Products are highly similar
→ Low barrier to entry



↑
High

↓
Low

**Threat of New
Entrants
(Barrier to entry)**



Moderate

Bargaining power of supplier

Supplier Concentration

Hugh amount of brands in each category of product



↓ Low

Substitute product

Convenience stores provide various brand, type and characteristic for each type of goods. Thus there are so many substitute product offered in the market

↓ Low

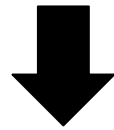
Backward Integration

7-11 , the key player, produces its own product to serve customers



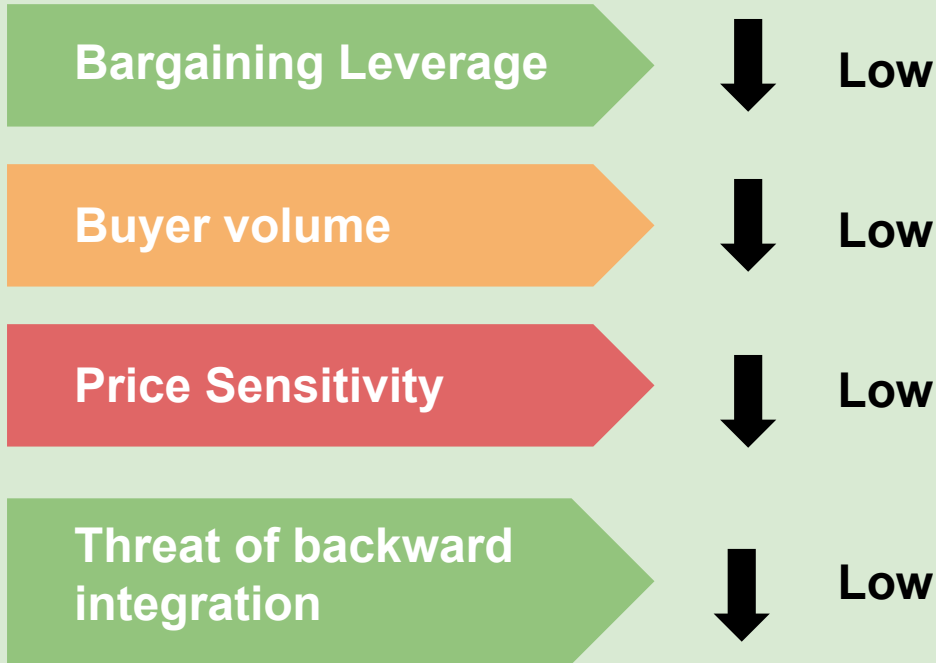
↓ Low

Bargaining power of Supplier



Low

Bargaining power of Buyer



Bargaining power of Buyer

Product differentiation



Low

Buyer Concentration

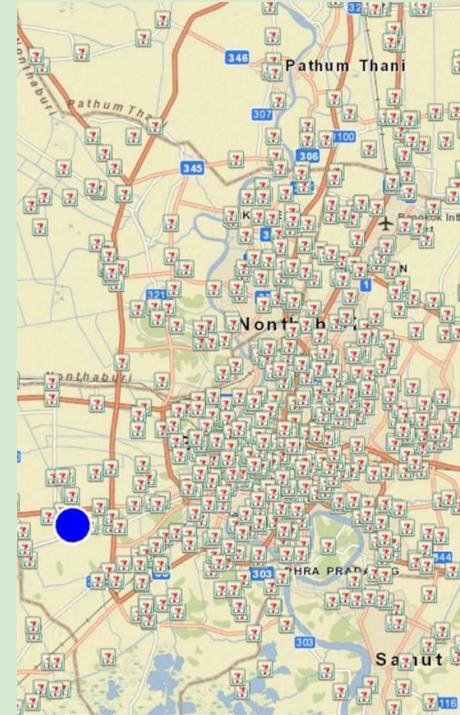


Low

Switching cost

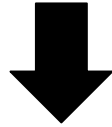


Low





Bargaining power of Buyer



Low

Threats of Substitutions

Availability of Substitute

Supermarket
Vending machine
papa - mama shop

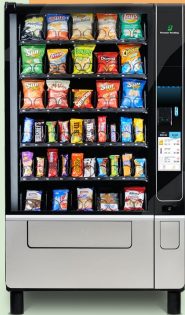
Moderate



Buyers' Switching cost

Price in convenience store may higher or equal to supermarket and papa - mama shop

Moderate



Threats of Substitutions

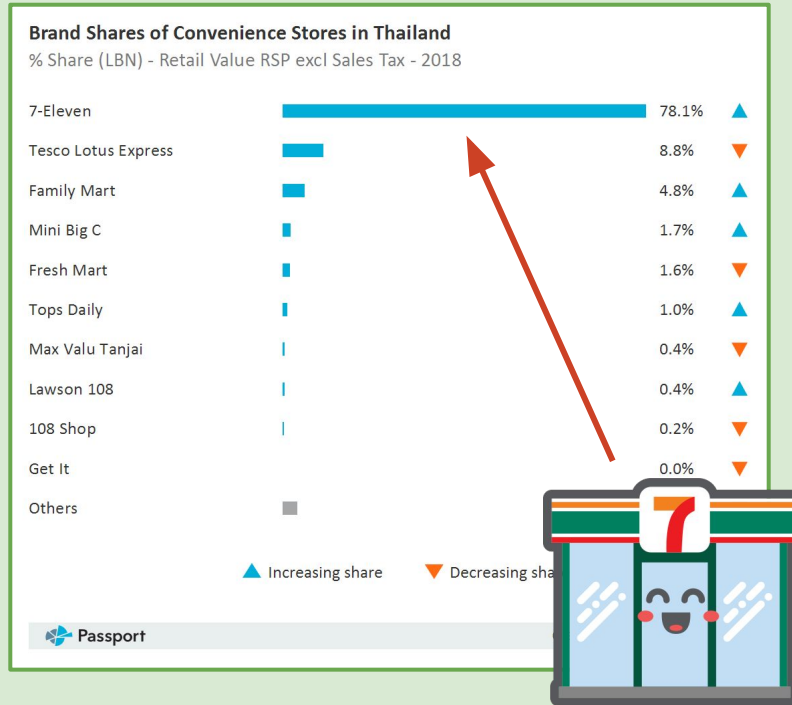


Moderate

Intensity of competitive Rivalry

Concentration

The industry has a monopolistic competition (High concentration) due to more than three-fourth of market share of the industry belongs to 7-11.



Intensity of competitive Rivalry

Switching Cost

Consumer do not have switching cost to other competitors



Product Differentiation

Product in this industry are highly similar such as consumer goods food which creates high intensity in rivalry.



High



High

Intensity of competitive Rivalry

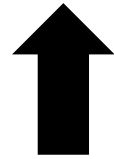
Industry Growth rate

The industry is in maturity stage and the market leader which is 7-11 has much higher market share than other companies in the industry so it is very hard for other companies to increase market shares .




High

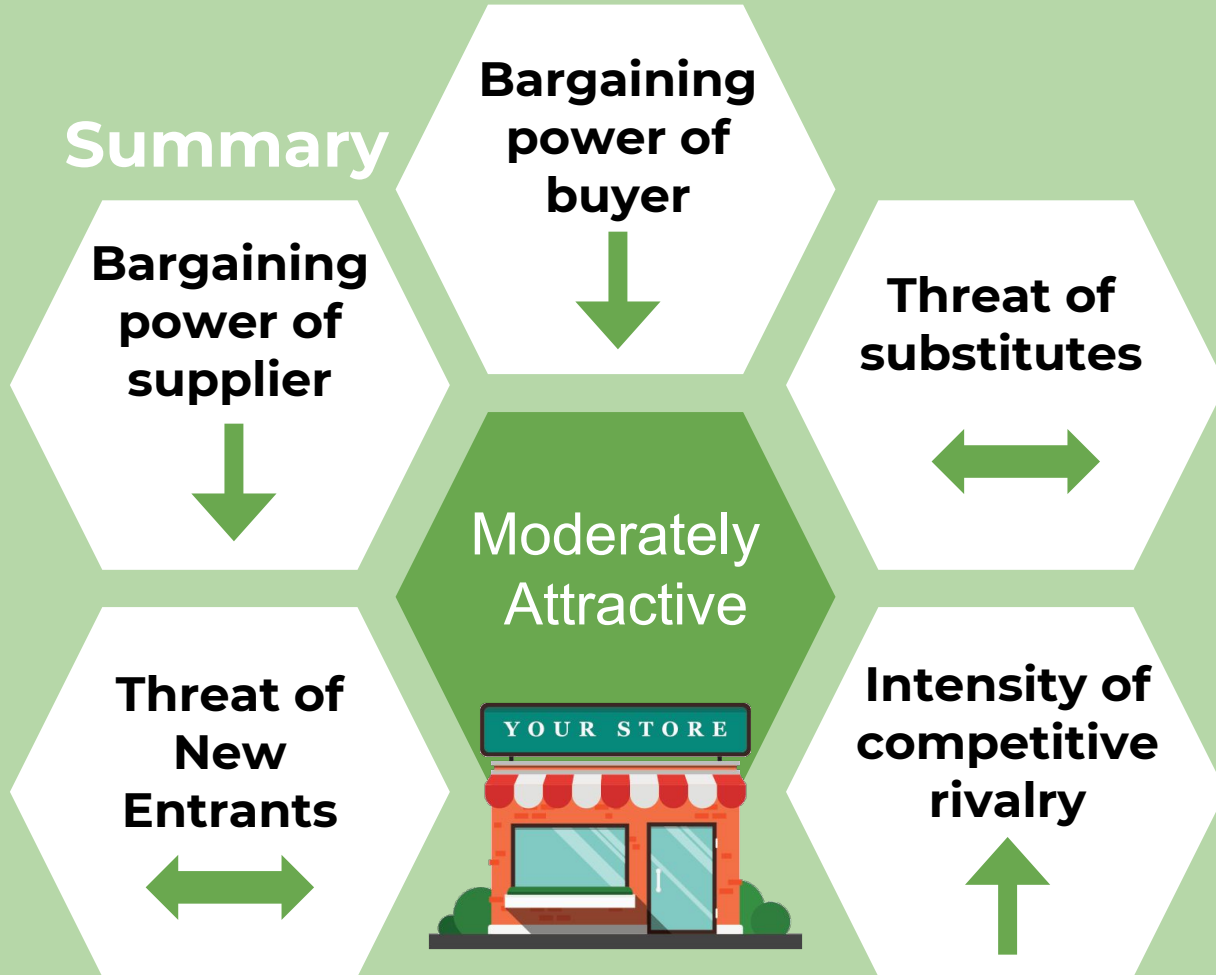
Intensity of Competitive rivalry



High



Summary



Q & A



Members Group5

Pantita	Sukumdhanakul	5904641189
Sireedhorn	Lertviseschai	5904641569
Sirichat	Kattiyapirak	5904641775
Pornpavit	Boonrung	5904641874
Parncheeva	Rittagorn	5904641932