



What factors affect the price for light and sound reinforcement system rental service in Thailand?

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Abstract

1. Introduction

In 1970, the rapid growth in media entertainment and music industry in Thailand had reinvented the industry. The live performance became popular among Thai people. The popular music band touring around each Thailand. However, the record label cannot handle the cost of carrying the system along the way. As a result, it creates demand for light and sound reinforcement system service to serve the needs of consumer with the amount of money that flows in this market is enough to attract players to join the market.

During the past decade, the improvement in technology the ability to access the internet of people. The traditional way of communication is costly and becoming less effective to grab customer awareness and the decrease in search cost have changed the structure and behavior of the firm to compete in the market.

Therefore, this study aims to analyze the factors that affect change in price of reinforcement system rental service in Thailand through the structure, behavior, strategy, and performance of the firms. The research questions are: what are the purposes for using Light and sound rental service? What strategies do firms use to compete in the market? And how can firms expand the business?

The contribution of this research paper is that it would like to gain the price knowledge for the reader to understand the process and mechanism behind the market in Thailand. This paper consists of 7 sections; introduction, literature review, theoretical framework, methodology, result, conclusion, and limitation.

2. Literature Review

(Note : add why firm do a leasing)

The decision making for consumer to outsourcing rather than using internal resource is that they have to focus the effort and the resources on the core company activities. The consumer willingness to pay for an outsourcing in light and sound reinforcement system is to decrease production cost that would occur from the organizing an event. Schniederjans et al. (2007) say that: “outsourcing is not a revolution but an evolution of change in business organizations and the way they conduct business activities.” There are three main point for outsourcing in this market which are wage and benefit saving, smoothing the workload, and the need for specialize service.

The first reason, wage and benefit saving. According to efficiency wage model,

- Allocate employee resource
- Investment efficiency

The second reason is to smoot the workload. Most of the event organizer would like to run the event free flow without any problem. Abraham (1998) has been suggested that modeling the use of outside contractors by a firm that faces an exogenously given but fluctuating flow of work to be performed is relatively straightforward. The in-house production cost^x may have a cheaper cost per unit cheaper than hiring outsource. However, most of the in-house production does not cover peak demand. Even it does, when facing the slow period where firms have to adjusting in-house production structure and cost. As a consequent, relying on outsourcing company might cost effective and can focus on core business.

**x- in-house production

Lastly, needed in specialize skill. The most important reason to hiring outsource is that they specialize service and rich experience in solving the problems. Indeed, light and sound system used for the live performance. Most of the time, the problem can rise during the show. No one can predict the external problem such as electric shock. It is better to rely on the outsource firms who have higher experience than in-house staff. (Note: experience theory)

3. Industry background

- **Still in process**

4. Theoretical framework

The Structure-Conduct-Performance paradigm is derived from the industrial organization approach. The structure is discovered by market organization which will effect to conducting the strategy and economics performance. Thus, this paper will use SCP paradigm to analyze the factors affect the price for light and sound reinforcement system rental service in Thailand.

First, market structure. This paper mainly focus on the cost structure of the firm which can determine type and characteristic of the firms. This part will shows the organization structure, cost structure, and firm behavior. To dig deep into the firm structure and behavior, this paper also applies Oligopolistic and competitive fringe models to analyze the behavior and strategic movement for each type of firms.

Second, market conduct. The conduct represents by strategy of the firms. In this market, firms used area size as a customer segment. This can determine the pricing strategy for the firms to perform. There are two type of pricing strategy which are competitive pricing and first-degree price discrimination. More detail in market conduct will be shown more in the result part.

Lastly, market performance. This is the economic result from the structure and consequence from the firms conduct. This paper will show the profitability of the firms, rate of return, payback period, efficiency and growth rate.

5. Methodology

This paper mainly focus on Thailand market of light and sound reinforcement system rental service. The analysis will be proposed by using Structure-Conduct-Performance

paradigm as a main framework and relies on primary data to analyze the market. We use online in-depth interview with 25 firms including big firms and small firms in the market. By question them the organization structure, the service offering, type of work, and working period to analyze the structure, strategy, and behavior, and profitability of the firms.

In addition, this paper gathers the data from the existing firm's website to see the strategy of the firms to support the interpretation about market structure and pricing strategy. Moreover, we have to use online in-depth interview with the customers to recheck the information data that given from firms.

6. Result

6.1 Type of Light and Sound rental system market (Structure)

In this market, there are a few leading firms and many small firms. The structure of oligopoly and competitive fringe is the most proper framework to describe Thailand's light and sound rental system market. There are less than 10 firms that can consider as Oligopoly. The existing of these firms have a market power at least competitive fringe does not. However, the barrier to entry is considered to be low due to the structure of the market that requires low capital for fringe firm

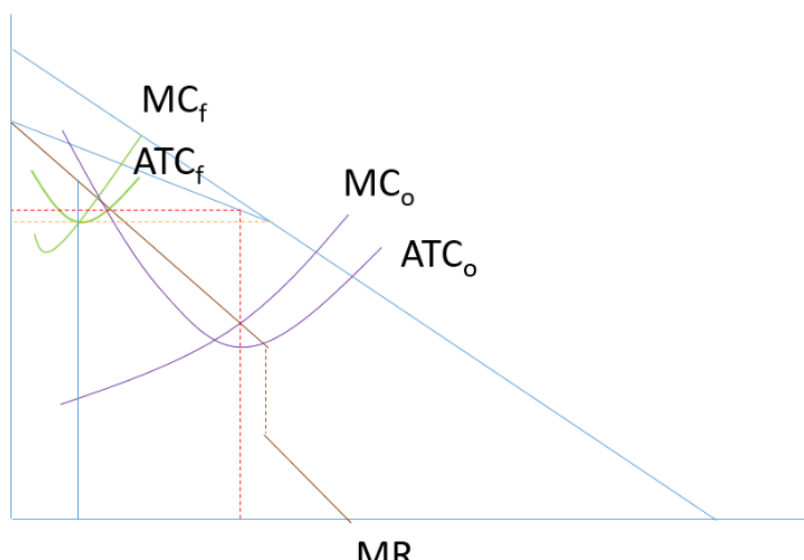
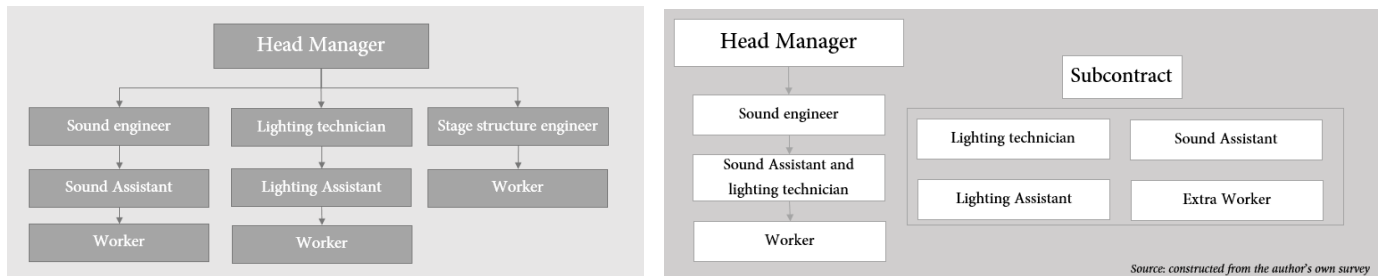


Figure X.)

Shows the demand and supply of oligopoly and competitive fringe. Oligopolistic with competitive fringe differ from pure oligopolistic

competition since the constraints on the production of competitive fringe. The increase in price of the service induced some customers to move to purchase with fringe firms. The oligopolistic firms have to consider the reaction of the fringe competitor. The variable P on the Y-axis represents the rental price per square meter.



According to figure X.) It shows the organization structure of the Oligopoly firms and competitive fringe. The oligopolistic firms have a structure of hierarchical model, where employees are grouped with every employee having one clear supervisor. The grouping based on the core functional for each types of services. The main advantage of this structure is that clear task assign directly to the employee's role and responsibility .While competitive fringe firms have a network structure. This create more flexibility in employee's movement, but the complexity to assign and increase in hiring cost.

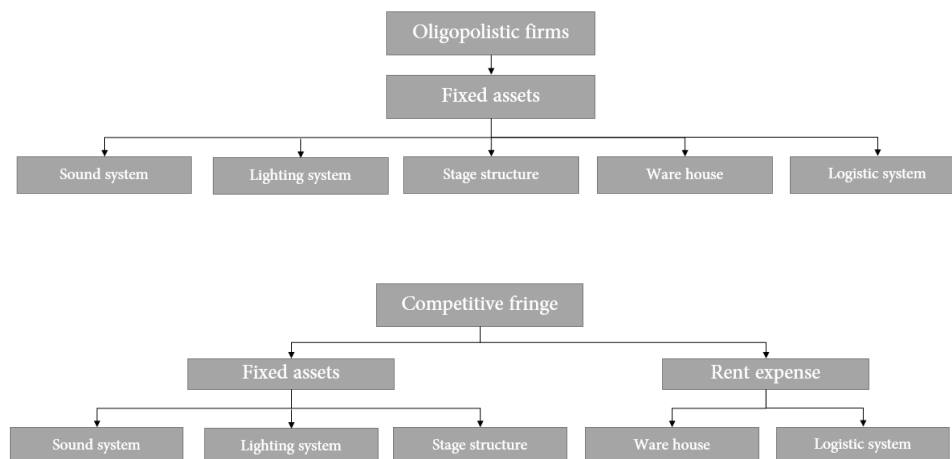
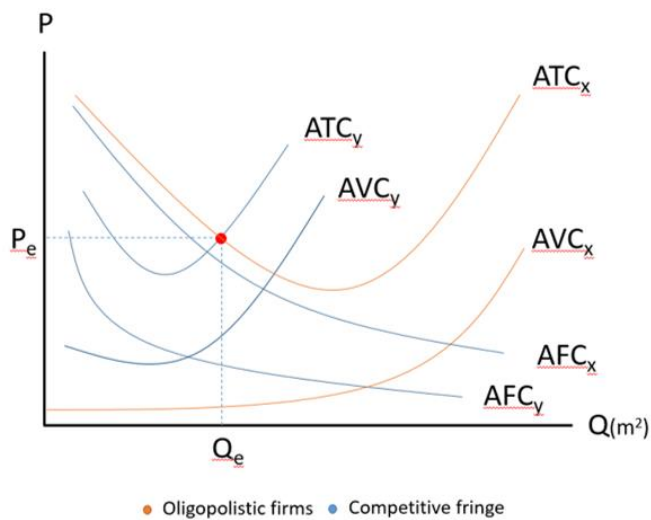


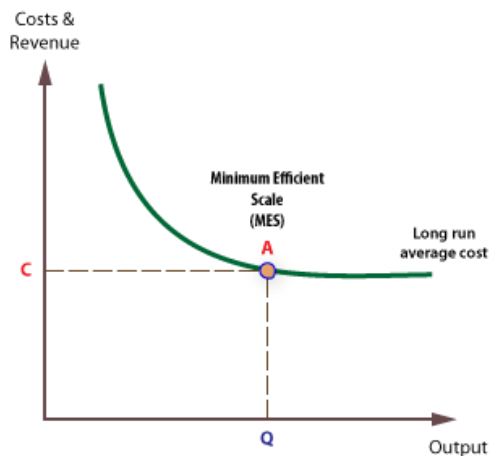
Figure X) shows type of firm's assets. This can be described as the ability to invest of the firms. The oligopolistic firms can access to higher capital, thus they invest in fixed asset in the hope to achieve economy of scale where competitive firms have lower capital and cannot purchase on the high price capital which are warehouse and logistics system (Freight car) they.



When combine both figure together, we can construct the cost structure of both type of firms (Figure). At point Q_e , The average total cost of fringe firms is equal to the oligopolistic firms. If the area size exceed this point, fringe firms will have the

production cost higher than the oligopolistic firms. This can conclude that fringe firms have the advantage on lower production cost in small areas (Q) than oligopolistic firms.

The support for oligopoly to prefer produce the output in high quantity is the minimum efficient scale. When comparing the leading firm and fringe firm cost structure, we can see



that the leading firm cost structure is like a long-run and fringe firm is like a short-run. The main reason that comes from the ability to invest in the infrastructure of leading firms is higher than fringe firms. The competitive fringe firm has to rely on the sub-contract to rent the equipment. -> This is

the reason why fringe firm cannot achieve the same level like oligopoly from the MES ->
oligopoly not intervene because MES

- Service differentiation in quality -> cost -> advantage to decrease a price -> consumer does not know -> Lemons

6.2 Conduct (Price strategy market competition Quality of the service, average job/month, price range. Detail, rental period)-> performance

The firms use the area size to determine pricing strategy. Differentiation in area size can be a customer segmentation fence to apply different strategy. From the in-depth interview, we can classify into 4 segmentations which are small, medium, large, and extra-large. This section will separately explain strategy and performance of each type.

6.2.1 Small size service

The average area that consider to be a small size area stay between 50 – 120 m². This size can support around 50-100 people. From the approximation, the rental price is between 3,500 to 8,000 baht per day. Because of the competitive advertising campaign by using the pop-ups store, the demanded for this service is high. Thus,

In addition, the existing E-commerce platform reduces the searching cost coupled with a Non Complex system and low –level of customization. Customers gain the price-level knowledge which means they can estimate the price.

6.2.2 Medium size service

6.2.3 Large size service

6.2.4 Extra-large size service

6.3 Performance

- Comparing rate of return of both firms
- Payback period
- Efficiency of firms
- Growth rate

7. Conclusion

From the research fundamental information acquired, the factors that affect the rental price are the production quantity which defined as area size, the quality of the service and customization degree. All of the firm want to maximize their profit by capture all of consumer surplus. In the consumer side, the willingness to pay is impact by service preference and price point^x.

For the small and medium size, because of the regular usage and low-complex system. This result in the highly competitive market, many players, and vary quality of service offers in the market. Firms have to compete in price to steal the market share. Unlike large and extra-large size, the requirement for professional usage leading to a high customization degree. Firm can charge the maximum price and capture all of consumer surplus. Moreover, the increase in rental period have a positive relationship to the performance of the firms.

As a consequent, the performance of the oligopolistic is better than competitive fringe from the cost structure and profit maximization (from segmentation).The limitation from the ability to access capital investment is given oligopolistic firms to have a market power over fringe. One way for fringe firms to expand their size is to reach the economy of scale by decreasing the variable cost.

8. Limitation

- **Covid19**
- **Information access**
- **Secret agreement**
- **Business secret**

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