Fmcg five force analysis

Business, Marketing

Porter’s Five Force Competitive Model for FMCG Industry: 1. Rivalry among Competing Firms: In the FMCG Industry, rivalry among competitors is very fierce. There are scarce customers because the industry is highly saturated and the competitors try to snatch their share of market. Market Players use all sorts of tactics and activities from intensive advertisement campaigns to promotional stuff and price wars etc. Hence the intensity of rivalry is very high. 2. Potential Entry of New Competitors: FMCG Industry does not have any measures which can control the entry of new firms. The resistance is very low and the structure of the industry is so complex that new firms can easily enter and also offer tough competition due to cost effectiveness. Hence potential entry of new firms is highly viable. 3. Potential Development of Substitute Products: There are complex and never ending consumer needs and no firm can satisfy all sorts of needs alone. There are plenty of substitute goods available in the market that can be re-placed if consumers are not satisfied with one. The wide range of choices and needs give a sufficient room for new product development that can replace existing goods. This leads to higher consumer’s expectation. 4. Bargaining Power of Suppliers: The bargaining power of suppliers of raw materials and intermediate goods is not very high. There is ample number of substitute suppliers available and the raw materials are also readily available and most of the raw materials are homogeneous. There is no monopoly situation in the supplier side because the suppliers are also competing among themselves. 5. Bargaining Power of Consumers: Bargaining power of consumers is also very high. This is because in FMCG industry the switching costs of most of the goods is very low and there is no threat of buying one product over other. Customers are never reluctant to buy or try new things off the shelf.