Porter's Five Forces Model can be also referred as Porter's Competitive Force Model, the most common business strategic tool and useful in several occasions. It says that an industry is under the influence of five forces. This model can be used to determine the competitive scenario of restaurant industry, and know where and how it can operate. It also helps in analyzing the attractiveness and profitability of the industry. The five forces can be classified as:

Threat of New Entrants: Entrance of new competitors is very easy in the restaurant industry, which raises competition, creating barriers and reducing attractiveness of the old players. Barriers can be in terms of economies of scale, customer's cost, investment needs and industry channels of distribution, etc (Porter�s Five Forces Analysis, 2010). For example, entrance of Gold Rush, California (McKinney, 2008).

Threats of Substitutes: Price level limitations and reduction in profitability are generated with the substitute products. It is associated with buyer's willingness, substitute product performance and price, determination of substitution's cost (Porter�s Five Forces Analysis, 2010). The main reason behind substitution is generally customer base. For example, DiGiornos with premium frozen and refrigerated pizza affected Pizza Hut and Dominos (McKinney, 2008).

Bargaining Power of Supplier: Suppliers can be determined as the distributors of raw materials, resources and other related products for trading purposes. Less attractiveness is assured if the suppliers have a high bargaining power. It can be identified when there are numerous buyers and few suppliers with differentiated and valued products, suppliers are opening their retail outlets, alarming branded restaurants, and industry is losing its space in the consecutive supplier chain (Porter�s Five Forces Analysis, 2010). For example, suppliers of food with the prospects of reliance, quality, pricing and credit exchange, etc. This force must assure the long term sustainability (McKinney, 2008).

Barging Power of Customers/Buyers: The demand of the product depends upon the customers� willingness to pay for a particular product. Their purchasing decision will determine the industry's market position (McKinney, 2008). Bargaining power of the customers is higher when there are a few customers and numerous sellers, standard products, backward integrations of buyer as well as suppliers, and industry is not the basic supplier (Porter�s Five Forces Analysis, 2010). For example, in luxury food, customers are willing to pay high for standard product (McKinney, 2008).

Intensity of Rivalry: The market variables may differ depending upon: competitor's structure (closed or open ended), cost structure (reduction in prices due to fixed cost), inimitable product(less competition),  high switching cost (less competition), restaurants in growth stage facing intense rivalry and maturity stage (less competition) and exit barriers (Porter�s Five Forces Analysis, 2010). For example, variables can be in terms of number of restaurants in a particular area, supply chain, quality, price, location, target market, strength and recognition, etc. (McKinney, 2008).

//The above part gives a review about the Porter Five Forces analysis and the degree of competition in the industry of Full-Service Restaurants. Now we will understand PEST analysis//

Political Environment factors: In full service restaurant industry, the factors affecting the firm's operation can be classified as stability of government, government's economic policy (United States: Bureau of Labor Statistics, 2000), adjacent country trade policies and events, and type of government (Research Council U.S.).

Economic Environment factors: These factors include fewer investment opportunities due to high interest rates and high wage demands of workers due to inflation, etc. (Research Council U.S.). They also include an increase in manufacturing cost and storage cost. All these factors make the final cost of the product a bit expensive (United States: Bureau of Labor Statistics, 2000).

Social Factors: These factors can be classified as health awareness programs by government and organizations and change in eating habits (United States: Bureau of Labor Statistics, 2000). Attitude change (example, instead of diet product adopting healthy product) and women work force also come under these factors (Research Council U.S.).

Technological Factors: Innovation is seeking attention of the people (United States: Bureau of Labor Statistics, 2000). Creative technological themes are attracting more customers (Research Council U.S.).

All the sources helped in the collection of information regarding the factors affecting full service restaurant industry. With the consecutive sources, it was easy to determine the fact that the industry is facing problems in terms of investments, costs and new entrance, etc.

// I hope the assistance provided by me is quite sufficient to address the queries. It will surely help you to develop a better understanding of the topic discussed and enhance your knowledge. I am also including the references, from where I found the content. At the end, I wish you a happy learning: //

References

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