

Threat of supplier bargaining power commerce essay



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Industry environment is a set of factors that directly influences a firm and its competitive actions and response. An industry's profit potential is a function of the five (5) forces of competition model that are include threat of substitutes, threat of supplier bargaining power, threat of buyer's bargaining power, threat of new entrants, and threat existing rivalry. (Porter's Five Forces Model of Competition)

1. 1 The Five (5) Forces of Competition Model

1. 1. 1 Threat of Substitutes

Function of a substitute defines goods or services outside a given industry perform the same or similar functions at a competitive price such as recycle bag has replaced plastic bag. Besides, threat of substitutes towards Jamba Juice Company can be very high. This is because of the buyers might think the substitute product's quality and performance are equal to or greater than the jamba's product. In particular, the substitute products price is lower than Jamba's product. (Porter's Five Forces Model of Competition)

1. 1. 2 Threat of Supplier Bargaining Power

Threat of supplier bargaining power toward Jamba Juice Company can be very high. This is because of the suppliers have substantial resources and provide a high differentiated product. In addition, the supplier can create high switching costs and increase the price anytime. In particular, Jamba Juice Company is not a significant customer for the suppliers. Therefore, the supplier can decide stop to supply the product to Jamba Juice Company and supply its product to another companies. (Porter's Five Forces Model of Competition)Likewise, threat of supplier bargaining power towards Jamba

Jamba Juice Company can be very low. This is because of Jamba Juice Company maybe sign a contract with the supplier in order to protect their profit such as agreement supplier cannot increase the price or supplier cannot supply its product to another company. (Porter's Five Forces Model of Competition)

1. 1. 3 Threat of Buyer Bargaining Power.

Threat of buyer's bargaining power towards Jamba Juice Company can be very high. This is because buyers' purchases are a significant portion of the Jamba Juice Company annual revenues. (Porter's Five Forces Model of Competition) Likewise, threat of buyer's bargaining power towards Jamba Juice Company can be very low. This is because of Jamba Juice Company commitment to fresh fruits and natural products bolstered its image as a leading provider of natural food and beverages, allowing it to benefit from the healthy alternatives trend as well as proof its product are standardized. (Porter's Five Forces Model of Competition)

1. 1. 4 Threat of New Entrants

Threat of new entrants towards Jamba Juice Company can be very low. This is because of Jamba positioned its products as healthy alternatives to conventional American fare such as hamburgers, French fries, and ice-cream. In addition, Jamba also explained its product could serve as a meal replacement for on-the-go customers who wanted to avoid highly processed or sugar rich convenience foods. In particular, those of consumers who are purchase Jamba products as well as known they are health-conscious people. Therefore, entry barriers make it difficult for new firms to enter an industry and often place them at a competitive disadvantage even when they are able to enter. Moreover, new competitor may force Jamba Juice Company to <https://assignbuster.com/threat-of-supplier-bargaining-power-commerce-essay/>

be more efficient and learn how to compete on new dimensions. (Porter's Five Forces Model of Competition) Likewise, threat of new entrants towards Jamba Juice Company can be very high. These because of the Jamba Juice Company are easy to let the new entrants to imitate their product. According to production differentiation, new entrants frequently offer products at lower prices in order to influence customers as well as may make Jamba Juice Company lose a lot customer. (Porter's Five Forces Model of Competition)

1. 1. 5 Threat of Existing Rivalry

Rivalry refers to the competitive struggle for market share between firms in an industry. Threat of existing rivalry towards Jamba Juice Company can very high. This is because of current society has developed a lot health drinks company such as Coway, Amway, Herbalife and etc. Therefore, these might make Jamba Juice Company facing a highly competitive. (Porter's Five Forces Model of Competition)

2. 0 Type of Resources

2. 1 Tangible Resources

Tangible resources assets that can be seen, touched, and qualified. These are includes financial resources, organizational resources, physical resources, and technological resources. A financial resource defines the firm's capacity to borrow and generate internal funds. On March 12, 2006, Jamba Juice agreed to be acquired by Services Acquisition Corp. International (headed by Steven Berrard, former CEO of Blockbuster Inc.) for \$265 million. An organizational resource is on formal reporting structures. Base on case study, Jamba Juice Company followed a fundamental business philosophy

focuses on branding such as attention to the product attributes, and company vision and values, planning a long-term growth to the business, and creating a team culture environment. Physical resources defines sophistication and location of a firm's plant and equipment; distribution facilities; product inventory. Base on case study, Jamba Juice Company is no significant physical assets involved. The technological resources define stock of technology such as patents, trademarks, copyrights, and trade services. Base on case study, Jamba Juice Company provide a point of differentiation as competitors began offering similar healthy juice and smoothies only in the marketplace.

2. 2 Intangible Resources

Intangible resources define assets that can't be seen or touched such as idea. In addition, compared to tangible resources, intangible resources are a superior source of core competencies. Intangible resources are includes human resources, innovation resources, and reputational resources. Human resources is placed focus on knowledge such as trust and skills such as collaborative abilities. Base on case study, due to vast options in size, caloric density, and relative sweetness, Jamba smoothies could serve as a light snack, a sweet treat, or even as a meal replacement for on-the-go customers who wanted to avoid highly processed or sugar rich convenience foods. Innovation resources define scientific capabilities and capacity to innovate. Base on Jamba Juice Company, it has a strong innovation resource. For example, positioned its product could serve as a meal for on-the-go customers who wanted to avoid highly processed or sugar rich convenience foods. A reputation resource is focus on brand name such as perception of

product quality, durability, and reliability such as positive reputation with stakeholders. In fact, Jamba Juice Company most significant strength such as its commitment to fresh fruits and natural products bolstered its image as a leading provider of natural food and beverages. In particular, it is allowed to benefit from the healthy alternatives trend.