

# McDonald and starbucks

Business, Company



The UAE has become an international business hub. The open arms regulations developed by the UAE government in order to stimulate commerce and trade in the country opens a window for entry. The UAE food processing industry is among the most lucrative due to presence of tourists and a myriad of expatriates who have high disposable income. Potentially the competition from Al Rawabi and Al Ain Dairy - this has identified key processes that are core to improving efficiency and adding value to services offered to consumers. These processes include planning, purchasing, processing, and production, together with customer relations.

However, the diversified approach used by dairy firms in UAE has helped to keep away new entrants. This is because economically, the industry's profits are normal (zero). The barriers to entry in the UAE dairy market are unique from the conventional economies of scale and high cost of entry. The argument is that prospective firms that are entering the UAE are big Multinationals with brand names. These include Jumbo inc. , McDonald and Starbucks among others. Such firms have financial leverage to enter this market. However, the heritage of Milco dairy is indelible.

The company can keep enhancing its brand name through distinguished business practices, in order to increase its competitiveness (Milco 2010).

Force 3: The Threat of Substitutes This is so far one of the greatest threats that Milco faces in the dairy industry. Substitute products from its rivals are dependent on the measure of relative price-to-performance ratios of the alternative products or services which customers can consume. The threat of substitution is consequently affected by cost switching - this takes place in tandem with customer's action of switching preferences (Porter 1980).

Milco's has embarked on massive brand revamping which has come with a complete overhaul; these changes are conspicuous from Milco's taste up to its packaging strategies and marketing approaches. The companies new look mirrors its brand's imagery and real time positioning in order satisfy and beat to today's consumers' needs and continued demand for food that is both tasty and healthy. Through a team of experts, incessant development of new strategies and brand identity, the retailer's dynamic approach guarantees high-quality products and a succinct marketing success (Milco 2010).

Force 4: Buyer Power Due to the demand for healthy food, Milco has introduced a variety of new delicious tastes across its product portfolio. The broad line of products includes fresh cow's milk-available in as cream and low fat, yoghurt-available in low fat and full cream yoghurt, and fruit flavored yoghurts which may be low fat with real fruit or in full cream real fruit. The size of Milco's consumers is relatively large. These consumers are spread across the UAE-low concentration. These customers are moderately informed since most of them are transitional.

In the UAE dairy industry the major competitors of Milco are Al Rawabi and Al Ain Dairy companies. This means that the industry is dominated by a few large players. This consequently increases the power of consumers. Milco's success strategy is dependent on consumers' preference. This can be interpreted as, the power of buyers in the dairy market is substantial and the company should be able to channel it positively so as to deliver high quality but at the same time remain profitable (Milco 2010). Force 5: Supplier Power The power of the Supplier is a mirror image of that of the buyer.

Hence, in analysing Milco's competitive strategy it is imperative to initially focus on the relative size and the concentration of suppliers with regard to other industry participants. Milco is supplied by a variety of firms who are both small and large. The degree of differentiation of the supplied inputs is relatively high thus giving Milco the ability to discriminate prices with respect to value created for these consumers. It is imperative to note that the dairy industry exhibits relatively high supplier power with low buyer power; reason being, the presence of the collective bargaining among the suppliers.

Conclusion In analysing Milco's competitive advantage using Porter's five force model, it is clear to note that competition in the dairy industry is greatly affected by the by the suggested five forces. The dairy industry has stronger supplier power and weaker buyer's power which gives Milco the opportunity to use price discrimination to its advantage. The company has shown strength by utilizing its competitive advantage in the areas of product differentiation in a market that has a very high degree of rivalry.

However, in analyzing Milco using Porter's five force model, it is clear that this paper has not exhaustively identified the factors that determine how dairy firms in UAE will compete. The UAE has a unique structure – structure in itself plays a crucial role in competitive behaviour and performance. Retrospectively, Milco has successfully gained a competitive advantage by focusing on delivery of quality products to its customers through a painstaking process of value addition.

References Milco (2010). " Milco unveils its success! " Viewed from:  
<http://www.milcodairy.com> Porter, M. E. (1980) Competitive Strategy, Free  
Press, New York