

Starbuck industry analysis (malaysia)



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starbuck Malaysia industry analysis Threat of substitute products – medium
The premium foods and even fast foods industry, there are substitute products for Starbucks. When the other industries can satisfy the customer need that coffee industry is satisfying then there will have a threat for Starbucks.

Other beverage industries such as premium foods industry – Tony Roma’s, Chili’s both have provided a good atmosphere and environment for customers. These restaurants also offer free refill for certain drinks which is one of the threat in switching Starbucks customers to them since these restaurants also provide many of delicious food for customers. Fast foods industry such as Mc Donald, Carl’s Jr. both of the restaurants not only offer free refill for soft dinks but also for their coffee drinks product. Some of the consumers might come to these restaurants because of the cost per cup of coffee.

In this case, image is very important for Starbucks, as well as the company’s ability to innovate and differentiate. Threat of the entry of the new competitors – high Fortune ranked Starbucks number one in innovation, quality of management, people management and also quality of products or services in the food industry 2007. According to The Star online, in Malaysia, Starbucks currently holds 45% to 50% of local gourmet coffee market. Starbucks is still the world and Malaysia leader in its industry. Starbucks is constantly innovating and showing strong product differentiation in their industry. However, some competitors such as Mc Cafe will be introduced by Mc Donald’s in the next five years.

Mc Cafe offers premium coffee with reasonable price. Although Starbucks now is the strongest in its industry however must be aware of the threats to potential entrants since the profit is attractiveness. The intensity of competitive rivalry – medium Starbucks current Malaysia competitors are Coffee Bean & Tea Leaf, Dome Cafe, Gloria Jean's Coffees, local brand competitor OLD TOWN White coffee, and even some local smaller competitors. OLD TOWN is operates over 60 outlets and Coffee Bean with 58 stores in Malaysia 2007. While Starbucks is still the bigger company with its totals 84 stores in Malaysia 2007. However there is the threat for Starbucks since the competitors have become more and increase the number of stores may affect the consumer choices and frequency of customers visit stores.

In addition, Coffee Bean has operated more stores compare to Starbucks in East Malaysia, Sabah and Sarawak. Coffee Bean with 9 stores compared to Starbucks with only 2 stores. Coffee Bean is 6 years earlier than Starbucks enter into East Malaysia market. Thus, it is important to make the market of consumers accept to the Starbucks brand. In addition, all of these competitors are selling similar products thus the competition is high.

Bargaining power of customers – high Normally buyers in the premium coffee industry remain individual consumers and buy small quantity of the product.

Customers who purchase premium coffee such as Starbucks can represent their social status. This makes the buyers less sensitive to the price and its give the industry more control over pricing. This can decrease the bargaining power of the buyer. However, the expansion of the premium coffee industry created a large number of competitors who offered high quality of premium coffee.

In this case, Starbucks may find it harder to differentiate itself through quality. With some newer entrants and competitors such as Mc Cafe who claim to offer premium coffee at reasonable price. In this trend, the power of consumers will increase. Bargaining power of suppliers – low There is not much bargaining power of supplier. Starbucks depends upon its relationships with coffee producers and suppliers of green coffee. With green coffee commodity prices at relatively low levels in recent years, Starbucks has used fixed-price purchase commitments in order to get a good quality and certainty cost of green coffee, and paying a fair price to coffee products.

In addition, Starbucks has their own roasting plant. Starbucks uses only its own supply of products and services thus the threat of supplier is less.

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