

Porter analysis of starbucks

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I. Threats of Competitors Now a day, Starbucks is very well known in the market, so with this competitors are arising rampantly. Small coffee retail outlets are growing rapidly in America and it seems to be multiplying. Based on the study of the Ivey Management, there are more than 3485 competitors in the market. All are coffee retailing or even cafe or with carts. In US, they have low barrier to entry in the retail specialty coffee market. This has resulted in a drastic increase in competition within the specialty coffee industry.

The diversity among these competitors still remains very high but the grounds on which companies are still innovating and changing. As larger and larger companies enter the industry the strategic stakes become higher. An example of competitor is Caribou; they implemented an American Style cafe which is very suitable to the country while Starbucks implemented European Style which is new to the Americans yet somewhat not the same with their culture.

II. Threat of New Entrants. Like what is said in the case study, the entry of barrier for coffee industry is very low. There are many potential new entrants like the once with no problem in capital as well as large or well-funded companies. Since the trend of specialty coffee is going up while basic coffee industry is going down, many are investing or starting a business of specialty coffee. Well, McDonald's do want to invest on selling Starbucks Coffee which is a potential New Entrants who wanted to engage in coffee industry.

III. Threats of Buyers. Due to premium coffee are with high cost, buyers tend to not buy specialty coffee. Another is consumption of coffee was reduced

from 2-3 cups per day to 1.7 cups per day only. Based on the study, appearance and development of the product affects the buying power of the customers. Another point is the new entrants offering low cost but quality coffee. This can greatly affect to the buying factor of the customers because there are certain amount allotted in buying beverages or an amount that fits their budget.

Starbucks are serving high quality service yet high cost as well. On the other hand, health concerns are also a factor and a place where people can meet or relax when breaks. So Starbucks made its store suitable for relaxing as well as pleasing to the eyes of the customers. IV. Threat of Substitute For product substitutes, one can be water or on the grab sodas. Water is convenient for people as well as no harm in the body. This is a universal solvent where in people can get it for free in their house and bring it along with them.

Another is on the grab sodas wherein they can buy it anywhere in a low price. Since coffee cannot be bought easily, people tend to buy the most convenient beverages which can substitute coffee. Another factor is the place or ambience of the shop, lower end coffee places or fast food chains can be a substitute also. V. Threat of Suppliers Since Starbucks is a big company, coffee bean suppliers are making moves to get Starbucks' orders for coffee. These suppliers have no bargaining power because Starbucks can choose any suppliers available in the market.

Another is due to the long process of acquiring the coffee beans, it takes a long time to produce coffee because the supply is short as well as the price of the coffee bean being sold is higher. One factor is the

changing environment and fast innovations of technology, many developed a machine to have fast refining of coffee and this have a high bargaining power. Another is quality of the coffee bean being sold, since unforeseen events can happen, prices varies and can decrease the consumption of coffee.