

Enterprise and business development

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Five forces of Competition Theory The supplier power is a key determinant in the pricing strategy to be adopted so as to keep the business in good financial health while also coping up with competition from KFC, Starbucks, Dunkin Donuts, White bread and Costa. Supplier power looks at the ease with which suppliers can cause a rise in prices due to uniqueness of their coffee products, or services, strength and relative size of the suppliers, the number of suppliers attached to each input and the cost of moving from one supplier to the other. This is a consideration for the players in the coffee beverages sale sector. Firestarter considers the supplier dynamics and aims at positioning itself in a position of relative advantage in a bid to maintain or increase its customer base. Supplier will become powerful if they are few and there is a heavy need for them to facilitate the main processes (Porter, 2008).

The buyer power is a consideration that the competitive players in the food industry consider. The buyers have the ability to drive the prices down thus influencing the ability of firms such as Firestarter to dictate pricing terms. The number of buyers in the specific market ventured by Firestarter and other listed competitors, the switching cost of a buyer and importance of that buyer to the enterprise influence the model of strategic planning on pricing so as to keep at bay with the competition. Firestarter may be able to dictate prices if the cost of switching to the other suppliers is high and the presence of few powerful buyers.

The capabilities of the competitors in this context, KFC, Costa, Dunkin Donuts, Starbucks and Muzz Buzz form a competition rivalry. It is through differentiation of products and services more than the other that one individual firm can achieve an advantage. For the case of Firestarter, <https://assignbuster.com/enterprise-and-business-development/>

offering a variety of products that are differentiated at better prices will make it have an edge over the competitors in the niche by achieving market attractiveness to the consumers in the U. K.

Entering a new market poses threat especially in the event of high costs and time in entering the market (Porter, 2008). To be protected against compromising of a favorable competitive position, enterprises such as Firestarter ought to have economies of scale in the market and have protection of their innovations in products and services. This is a key consideration to be employed by Firestarter to protect itself from new entrants such as Muzz Buzz. Maintaining of durable and solid barriers to entry such as a strong and loyal base of consumers, favorable pricing and specialized knowledge of the industry checks the position of Firestarter. Firestarter stands to lose profits if the other competitors have a smooth way of capturing the strongholds of the enterprise and stake their claim in the market easily.

The threat of substitution is real for Firestarter and it demands offering exceptional products or services that cannot match the utility obtained from customers doing it themselves. If the food Firestarter offers can be easily made by its consumers and have the same quality, there is a threat of the enterprise losing its customer base. The aim should focus on offering a product that cannot be easily substituted. The ease of substitution come s from low costs of change and increased substitute performance or quality.

References

Porter, M. E. (2008). On competition. Boston, MA: Harvard Business School Pub.