Industry Analysis

Starbucks

**Threats of New Entrants (Low)**

The threat of new entrants for Starbucks is relatively low. Starbucks maintains a large portion of the market share, and combining this with other factors such as infrastructure, efficiency, and product quality make it harder for new competitors to enter this market. Although new entrants can compete on the local level, competing on the large scale level would be difficult for new entrants. Barriers to entry are not high, but market saturation negates the lower barriers. Switching costs are low, and consumers can be swayed away by new brands. On the other hand brand loyalty is high among consumers, so even though switching costs are low the likelihood of consumers switching is low.

**Bargaining Power of Suppliers (Low)**

The supplies required by Starbucks are not really specialty items. The company mainly sources paper, plastic, dairy, etc. Other than their coffee, Starbucks has the option of a great amount of suppliers. Starbucks has also gone above and beyond to create relationships with its coffee farmers in order to maintain the quality of the product they receive. Starbucks has gone so far as to invest in several of the farms they get their supplies from, and thereby reducing the bargaining power of these suppliers. Starbucks is also known for switching and/or buying out suppliers that are not compliant. All of these things considered, the bargaining power of suppliers is low.

**Threat of Substitute Products (Moderate)**

There are an absorbent amount of possible substitute products. Another contributing factor to product substitution would be the price of the product. However, Starbucks continued offer of premium quality and artesian experience help negate product substitution. Starbucks consumers are very brand loyal. The loyalty, quality, and experience are the influences keeping this threat at a moderate level.

**Intensity of Rivalry among Competitors (Moderate)**

Dunkin and McCafe are Starbuck’s leading competitors, and their market shares are just under Starbuck’s. These competitors are constantly innovating and strategizing. The switching costs being low for customers is another factor that causes competition between rivalries to be intense. Starbuck’s offering of specialty food and drink items along with their services helps them stand out among competition. Starbuck’s has built a sustainable differentiation and collaborated with competitors to gain a larger market share. Although there is significant competition, Starbucks has set several measures in play that impresses their intensity be moderate.

**Current Market Analysis**

Starbucks continues to expand and innovate making their company the top in their field. They are continuing to expand into new areas like health foods and drinks. If they can maintain their core competencies while expanding to offer new products, Starbucks should continue to be a significant competitor in their specialty food/beverage sector. Their challenge, as in the past, will be to maintain growth without over extending themselves.

References

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*Investor Starbucks*. (2019, April). Retrieved from Starbucks: https://investor.starbucks.com/ir-home/default.aspx