



Feasibility Analysis of Boba Beverage Business In Ambon City: Case Study Based on Porter's Five Forces

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ABSTRACT

This study aims to analyze the feasibility of boba beverage business in Ambon City using the Five Forces Porter approach. The research method used is descriptive qualitative by collecting data through interviews, observations, and literature studies. The analysis is done using the concept of Five Porter Forces, namely the competition between existing competitors, supplier negotiation power, buyer negotiation power, the threat of new entrants, and the threat of substitute products. The results show that the boba beverage industry in Ambon City has a significant potential and is still growing. The competition between existing competitors is relatively high with several well-known brands in the market, but there is still an opportunity to develop through innovative products and proper promotion. Supplier negotiation power is also relatively high due to the need for specialized raw materials, but there are several alternative suppliers that can be utilized. Buyer negotiation power is quite low because boba drinks are considered a premium product with a relatively high price. The threat of new entrants is relatively low due to several entry barriers in this industry, such as high investment costs and the difficulty of obtaining high-quality raw materials. The threat of substitute products is relatively low because boba drinks have a unique taste and a fairly loyal customer base.

Keywords: *Business Feasibility, Five Porter Forces, Business Management.*

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INTRODUCTION

Boba, also known as bubble tea, is a popular drink made from black or green tea, milk, and chewy tapioca balls. The boba drink business has become a global trend, with boba drink sales reaching US \$2.7 billion in 2022 and projected to achieve a CAGR (Compound Annual Growth Rate) of 8.9% from 2023 to 2030 (Bubble Tea Market Size,

Share & Growth Analysis Report 2030). However, like any other business, the success of a boba drink business depends on its feasibility. Business feasibility is the ability of a business to generate long-term profits. Therefore, it is important to evaluate business feasibility before starting a boba drink business.

Several factors that affect business feasibility, including the boba drink business, are initial costs, industry competition, consumer preferences, and government regulations (Antara & Aswitari, 2016). Initial costs include equipment costs, raw materials, store rent, and employee salaries. Industry competition can make it difficult to enter the market and maintain market share. Consumer preferences are also crucial, as product quality, pricing, and customer service can influence their purchasing decisions. Government regulations can also impact the boba drink business, such as food hygiene rules and store licensing.

A study conducted by Katadata.co.id (2022) shows that Southeast Asia is projected to reach up to US \$3.66 billion or up to Rp. 54 trillion (assuming an exchange rate of Rp.14854 per US dollar). In Indonesia, the boba drink business has also grown rapidly. According to data from Katadata.co.id (2022), the boba drink market in Indonesia is estimated to reach US \$1.6 billion or up to Rp. 24 trillion. However, there are several challenges in the boba drink business in Indonesia. According to a survey, some of the challenges faced by boba drink business owners in Indonesia are tight industry competition, high costs for raw materials and equipment, and complex government regulations.

The boba drink business in Indonesia has spread to various large and small cities and has become very popular among young people. Various famous boba drink brands already have stores in several cities in Indonesia. In some cities, the boba drink business has even become part of the youth lifestyle and culture, with a significant market share. The increasing popularity of boba drinks and high demand from Indonesian consumers have led many business owners to open outlets in various cities across Indonesia, including small cities and eastern regions like Ambon City.

This study aims to delve deeper into the framework of Porter's Five Forces, which identifies five key forces affecting the feasibility of the boba drink business in Ambon City. These forces include the intensity of rivalry among existing competitors in the industry, the threat of substitute products, the bargaining power of suppliers and buyers, and the threat of new entrants into the industry.

THEORITICAL REVIEW

Business feasibility analysis is crucial before starting a new venture or expanding a business. This analysis can help business owners understand the potential and associated risks, providing insight into what needs to be done to achieve success. In research, business feasibility analysis can serve as a basis for evaluating the potential success of a new business or business expansion in specific market conditions.

Using Porter's Five Forces Theory for business feasibility analysis can provide valuable information for assessing the likelihood of success for a new business or venture (Agustin, Sitepu & Oktalina, 2019). This analysis involves five forces influencing competition within an industry:

1. **Threat of Competition:** Competition among companies in a specific industry can affect a company's profits. The more competitors in the market, the higher the level of competition. This may force companies to lower product prices or improve product quality to maintain market share.
2. **Threat of Substitute Products:** Substitute products can affect the market demand for a product. If substitutes offer the same quality as the company's products, consumers may switch to cheaper or more accessible alternatives.
3. **Bargaining Power of Buyers:** Buyers' power in an industry can influence the price and quality of products offered by companies. If buyers are strong and have many options, companies must offer lower prices and better quality to win market competition.
4. **Bargaining Power of Suppliers:** Suppliers' power in an industry can influence the prices of raw materials used by companies. If suppliers are strong, they can raise raw material prices or limit supplies, forcing companies to pay higher prices for necessary materials.
5. **Threat of New Entrants:** The entry of new competitors into an industry can affect the profits of existing companies. If the market is saturated with competitors, new entrants must offer lower prices or more innovative products to win the competition.

Using Porter's Five Forces for business feasibility analysis can help entrepreneurs understand market conditions and profit potential, as well as evaluate business risks and opportunities (Yulita, Nugruho & Astuti, 2018). This analysis can be used to choose the right new business or venture to pursue, or to evaluate the success of business expansion in specific market conditions.

Several previous studies have examined the relationship between Porter's Five Forces and business feasibility analysis. For instance, research by Budiman et al. (2023) showed that Porter's Five Forces can identify factors influencing the success of new businesses. This study indicated that Porter's Five Forces analysis helps business owners understand market conditions and identify key factors to consider when making business decisions.

Another study by Mirza & Sari (2014) demonstrated that Porter's Five Forces can help identify business opportunities and reduce risks for new ventures. This study revealed that Porter's Five Forces analysis aids business owners in estimating profits and costs associated with new businesses and helps in planning strategies to face market competition. Further research by Mootalu (2023) showed that Porter's Five Forces can help achieve competitive advantage and improve business profitability. This study

indicated that Porter's Five Forces analysis assists business owners in identifying business strengths and weaknesses, and in planning strategies to win market competition.

METHODOLOGY

This research uses a qualitative approach where data collection methods include interviews with business owners and consumers, direct observation at boba drink outlets, and the collection of secondary data on the boba drink industry in Ambon City. After collecting primary and secondary data, the study on the feasibility of the boba drink business in Ambon City using Porter's Five Forces framework will proceed with data analysis. Data analysis will be conducted using a descriptive qualitative approach. This approach is chosen because the study aims to gain a deeper understanding of the factors affecting the feasibility of the boba drink business in Ambon City. Therefore, the obtained data will be analyzed in detail and explained with adequate descriptions. Thus, the research results can provide a deeper understanding of the feasibility of the boba drink business in Ambon City and offer relevant recommendations to enhance business performance.

RESULT & DISCUSSION

Potential New Entrants

The threat of new entrants can place significant pressure on existing boba drink businesses in Ambon City. In Porter's Five Forces analysis, new competitors can become a substantial threat if they have the potential to enter the market easily, possess strong financial and technological resources, and face low entry barriers (Hamizar et al., 2024). Concerning potential new competitors, it's essential to monitor whether there are companies or new ventures planning to enter the boba drink market in Ambon City. Data on potential new competitors can be gathered from market surveys, industry trend analyses, and information from reliable sources such as market research firms and government agencies. This data needs to be analyzed and interpreted to understand the potential new competitors and their impact on existing boba drink businesses.

Entry barriers in the boba drink industry also need to be considered. Entry barriers can include high initial costs, strict regulations, and difficulties in obtaining resources such as raw materials or skilled labor. Data on entry barriers can be obtained from case studies of the boba drink industry in Ambon City or from information provided by industry associations. Additionally, the financial and technological strengths of new competitors can also pose a threat. If new competitors have stronger financial and technological resources, they can easily enter the market and capture market share from existing boba drink businesses. Therefore, data on the financial and technological strengths of new competitors needs to be gathered and analyzed to understand the potential threats.

To address the threat of new entrants, boba drink businesses in Ambon City can develop marketing strategies and product innovations that differentiate them from new competitors, as well as improve product quality and customer service. By considering potential new competitors, entry barriers, and the financial and technological strengths of competitors, boba drink businesses can develop appropriate strategies to address the potential threats posed by new entrants.

Previous research indicates that the threat of new entrants is very significant in the boba drink industry. In a study conducted by Fan, Yang & Rau (2023) on the factors influencing the success of boba drink businesses in China, it was found that increasing competition from new entrants is one of the main factors that can affect the performance of boba drink businesses. Moreover, the study also showed that relatively low entry barriers in the boba drink industry, such as modest initial capital requirements and a lack of stringent government regulations, make it easier for new entrepreneurs to start boba drink businesses.

However, research also shows that financial and technological strength can be determining factors in entering the boba drink industry. Entrepreneurs with sufficient financial strength can easily enter the market through substantial investments in promotion and product marketing. On the other hand, entrepreneurs with better technological capabilities can enhance production efficiency and produce more innovative products, which can differentiate their offerings from competitors and provide a competitive advantage.

The research findings suggest that the potential for new entrants in the boba drink industry is very likely. Ambon City is a growing city with a significant market potential for boba drinks. Additionally, with relatively low entry barriers and a lack of stringent government regulations, the opportunities for new entrepreneurs to enter the boba drink industry in Ambon City are wide open. Therefore, existing boba drink businesses in Ambon City need to pay attention to these factors and continuously innovate and improve their business to face the threat of new competitors.

Suppliers

Research findings indicate that supplier power in the boba drink industry in Ambon City can significantly influence the sustainability of boba drink businesses. This is related to the availability and pricing of raw materials provided by suppliers. The main raw materials used in the boba drink industry include tea powder, milk, boba, and syrup. Some of these raw materials may not be available in Ambon City and have to be imported from other regions. This allows suppliers to exert power in determining prices and the availability of raw materials.

However, supplier power can be negotiated in several ways. First, by establishing good and long-term relationships with suppliers, boba drink businesses can obtain raw materials at more affordable prices and with more stable availability. Second, by sourcing raw materials from multiple suppliers, boba drink businesses can gain an advantage in negotiating prices and availability. By having several reliable suppliers,

boba drink businesses can ensure a sufficient supply of raw materials at competitive prices. Third, by considering alternative raw materials that are cheaper or more easily obtainable locally. This can reduce dependence on suppliers from outside the region and strengthen the bargaining position of boba drink businesses in negotiating prices and availability of raw materials.

Previous research shows that supplier power in the boba drink industry can impact business sustainability and company profits. A study by Tirtayasa (2022) found that supplier power significantly affects business profits and competition in the boba drink industry. The findings also suggest that by maintaining good relationships with suppliers and seeking more affordable alternative raw materials, boba drink businesses can gain an advantage in price negotiations and raw material availability.

Furthermore, research by Kolotzek (2018) found that dependence on a single supplier for certain raw materials can negatively impact raw material availability and product quality. Therefore, having multiple reliable suppliers and considering more affordable and easily obtainable alternative raw materials can enhance business sustainability. However, a study by Min, Green & Kim (2017) showed that boba drink businesses have a high dependence on the same single boba supplier. This indicates that negotiation strategies with suppliers should be given more attention by boba drink businesses to minimize the risk of raw material shortages and increase company profits.

Buyer Power

The power of buyers in the boba drink industry in Ambon City can influence the pricing and quality of products offered by boba drink companies. Buyer power is defined as the ability of buyers to affect prices, quality, and competition in the market. In Ambon City's boba drink industry, there are many competitors and alternative beverage choices available. This gives consumers the power to influence product prices and quality, as well as demand innovation and better quality from boba drink businesses. Research by Chen, Chou, and Tirtayasa (2022) shows that buyer power significantly impacts marketing strategies and product innovation in boba drink businesses. To maintain business sustainability, boba drink businesses need to consider the needs and wants of consumers and create products that meet their expectations.

However, research also indicates that buyer power can be managed by providing a unique and different experience in consuming boba drinks. A study by Shafrida (2023) suggests that the success of boba drink businesses can be achieved by developing distinctive and attractive menus, offering a different consumption experience compared to other boba drinks, and creating a positive brand image and impression.

In the boba drink industry, buyer power can also be divided into individual consumers and business consumers. Previous studies state that individual consumers are known to have a high price sensitivity when purchasing boba drinks. This means that individual consumers tend to choose lower-priced products over higher-priced ones, even if the product quality is the same or lower. Meanwhile, business consumers such as restaurants and cafes have greater negotiation power in the boba drink industry.

Research by Tirtayasa (2022) found that business consumers possess significant negotiation power because they purchase boba drinks in large quantities and on a regular basis.

To counteract the negotiation power of buyers, boba drink businesses can enhance product quality, provide better service, and offer competitive pricing. Other research shows that providing good service, such as offering a pleasant experience to consumers, can increase customer satisfaction and influence their purchasing decisions.

Substitution

It is undeniable that substitute products can pose a serious threat to bubble tea businesses in Ambon City. This is because bubble tea is not the only type of beverage favored by consumers. Consumers also have the option to choose other beverages as alternatives, such as coffee, tea, fruit juices, and energy drinks. Additionally, the emerging trend of healthy lifestyles and reduced sugar consumption can influence consumer preferences in selecting the type of beverages they consume.

However, based on research findings, the threat of substitute products to bubble tea businesses in Ambon City is not yet significant. Previous studies also indicate that consumers who enjoy bubble tea tend to continue choosing bubble tea despite other alternative options being available. Other earlier studies have shown similar results with their analyses. For instance, research conducted by Pramuditya and Shafrida (2023) in Indonesia indicates that the threat of substitute products to bubble tea businesses is still relatively low because bubble tea offers a unique taste and texture that is difficult to replicate by substitute products.

Furthermore, research also indicates that the bubble tea business continues to grow and expand worldwide, including in Ambon City, demonstrating that consumer demand for bubble tea remains quite high. Therefore, despite the threat from substitute products, bubble tea businesses in Ambon City still have good potential for continued growth and sustainability in the long term. However, bubble tea operators in Ambon City need to continue innovating and developing products to meet consumer preferences and address the increasingly competitive market.

Competitors

The competitive rivalry among existing players in the bubble tea industry in Ambon City is quite high. This is due to the presence of many bubble tea businesses, both small-scale and large-scale, in Ambon City. The major competitors in the bubble tea industry in Ambon City are well-established businesses with a large market share. Some well-known national brands with a significant number of branches in Ambon City include J-Co, KFC, McD, and others. Additionally, there are many small-scale competitors, such as SMEs, that are new in the bubble tea industry in Ambon City.

These competitors compete by offering menu variety, competitive pricing, and aggressive marketing strategies. Some competitors also offer customer loyalty programs and attractive special discounts. Moreover, some competitors have strong branding and

are capable of building a good brand image among consumers. Therefore, for a new bubble tea business to compete with established competitors in the bubble tea industry in Ambon City, it needs to offer uniqueness and specialty in its products and services. This can be achieved through innovation in menu variety, product quality, and the development of strong branding. Additionally, new bubble tea businesses also need to offer creative and effective marketing strategies to attract consumers and build a good brand image.

Based on previous research, competition in the bubble tea industry is quite intense and influenced by several factors including product quality, menu variety, pricing, location, and marketing strategy. In a study by Siregar (2022), it was found that consumers prefer bubble tea with good quality and fresh ingredients. Furthermore, the variety of menu offerings is also an important factor in consumers' choices of bubble tea. In another study by Tinambunan, Syahra & Hasibuan (2020), it was found that pricing influences consumers' decisions in choosing bubble tea. Consumers prefer bubble tea that is affordable and matches the quality of the product provided.

Other research also indicates that the location of bubble tea businesses affects competition in the industry. Bubble tea businesses located in strategic and easily accessible locations for consumers have a competitive advantage. In the context of Ambon City, new bubble tea businesses need to consider these factors to compete with well-established competitors in the bubble tea industry. This can be achieved by focusing on quality ingredients, menu variety, competitive pricing, and selecting a strategic business location to enhance competitiveness in Ambon City.

CONCLUSION

Based on the analysis of Porter's five forces in the bubble tea industry in Ambon City, it can be concluded that this industry has significant potential to continue growing and generate significant profits. Although there are several challenges, such as increasing competition, the entry of new competitors, and the threat of substitute products, with the right strategies, companies can optimize existing opportunities and maintain their position within the industry.

One of the key strengths in the bubble tea industry in Ambon City is the power of buyers or consumers, who have the ability to determine product demand and desired prices. Therefore, companies need to understand consumer needs and preferences in order to adjust the products and prices offered. Additionally, the power of suppliers also influences this industry, but companies can mitigate risks by having reliable sources of supply and maintaining good cooperation with them.

The threat of new entrants into the bubble tea industry in Ambon City is significant; however, with high entry barriers and the financial and technological strength required to start such a business, companies can maintain their position as key players in this industry. Meanwhile, the threat of substitute products can be addressed

through product innovation and appropriate marketing strategies to maintain consumer loyalty.

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