

What accounts for the difference in price of bubble teas in Bangkok?

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This study aims to investigate the pricing practice of the bubble tea market in Bangkok. Different brands can charge different prices for one glass of bubble tea. This wide gap of bubble tea price leads to the main question of this paper: What accounts for the difference in price of bubble teas in Bangkok? This paper attempts to observe and understand the price of the bubble tea market and also analyze the reason behind each strategy by taking product differentiation into consideration. This study tends to be valuable information to the beverage industry in Thailand and investors who want to start their business in the bubble tea market.

Methodology

To see the linkage between the degree of competition, strategy, and market power of each firm, SCP framework is an appropriate tool to understand the market and answer the main question of this paper, relying on primary data collection of pricing in bubble tea market. This framework explains the relationship between market structure, market conduct, and market performance. The paper observes basic information from 22 brands of bubble tea. To strengthen the analysis, 230 samples were surveyed about the bubble tea purchasing decision and preference. From all analyses, the author explores the reason behind why each type charges at that specific amount and why different types of bubble tea set different pricing schemes. According to product differentiation criteria, the paper categorizes products into three types; General tea, Tea with special topping, and Premium tea. Each type of bubble tea will be analyzed separately to see the characteristics.

Conclusion

The result indicates that product differentiation has an effect on prices differently according to the types of bubble tea market. In other words, General tea charges the lowest price with franchise strategy (sell cheaper price and reduce quality to gain some market share). Tea with special topping launches a new product as much as possible (create the wide range of menus and ingredients to differentiate themselves from other brands and satisfy customer needs). Premium tea charges the highest price with a quality strategy (high price with the premium ingredient). As a consequence, the strategies are different for each type since each brand has the different level of market power, behavior, and the number of supply and demand in the market.

Critique

The strengths are that the results can clearly answer the question of the study and achieve objectives. The benefits from this paper are clearly presented as why the author has to study this topic. In addition, the author also indicates a limitation and further improvement of this paper that would be better to include a number of observations in other provinces aside from Bangkok and concern more on the marginal cost. Weakness of this paper is that the respondents are not diverse. Obviously, most of the respondents were students. That may affect the result of this paper.