

(h) Assess whether the UK coffee shop market could be considered contestable.

(12)

If a market is contestable it is ~~easy~~ easy for firms to enter and leave the market. ~~As~~ As per this definition the UK coffee shop market could ~~be~~ not be considered contestable as it is difficult to enter the market. This is due to a multitude of factors one being the type of market structure. The UK coffee shop market ~~is~~ is an oligopoly as it is dominated by three main firms: Costa, Starbucks, and cafe nero in that order. These firms ~~have~~ have very high market share, high brand loyalty, and high brand recognition. These factors make the UK coffee shop market NOT contestable as the above factors act as barriers to entry for smaller firms entering the market. This is as ~~they~~ such smaller firms will not have the ~~resources to~~ funds to compete with said firms on product differentiation, advertising and promotional activity, etc. As a result such firms would find it difficult to ~~survive in~~ the coffee shop market as it is not contestable but it is indeed competitive as there are many firms in the industry.



However, one could argue that the UK coffee shop market is contestable that it is easy for firms to enter and ~~leave the~~ survive in and leave the market. This is as there are very small ~~at~~ small firms like Thorntons ~~at~~ cafe which have at least been able to survive and be somewhat competitive within the market, as suggested by Extract B which shows despite its small size and recent entry into the market they are somewhat successful in that they ~~have entered~~ have entered the market and as at ~~st~~ of 2014 they had 35 chains. //

To conclude, one could consider ~~the UK coffee shop industry to not be contestable~~ as it is difficult ~~to~~ for firms to enter the market and be competitive against the ~~large~~ huge oligopolies within the industry. However, some sources suggest that it could be contestable.

Total for Question 1 = 60 marks)

TOTAL FOR SECTION A = 60 MARKS

