

The background of the slide is a dark, blue-tinted photograph of a shipping yard. In the foreground and middle ground, there are numerous stacks of intermodal containers in various shades of blue and grey. A forklift is visible in the center background, positioned between the stacks of containers. Several thin, wavy lines in blue, green, red, and pink cross the middle of the image horizontally.

CASE STUDY: HOW STARBUCKS BREWS LOGISTICS SUCCESS



We love to put **order** in your chaos.

Morai Logistics Inc. is a 3rd party logistics provider with an operating agency agreement representing Mode Transportation. We are a powerhouse logistics team based in the Greater Toronto Area and do business throughout North America, including Mexico. Our team is dedicated to our terrific clients and we strive to take the chaos out of your supply chain. We are always on the lookout to do exceptional work with remarkable people and companies!



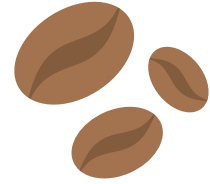
Introduction

Starbucks, the American coffeehouse chain, is an incredibly successful company. It may sound self-evident, but amongst all the pumpkin lattes and grande jokes, it's easy to overlook how and why the company has come so profitable.

Last year, Starbucks reported generating \$21.31 billion in sales and revenue. That number is almost a two billion dollar jump over what it reported in 2015. It's also consistent with the average \$1-2 billion annual revenue increase it's had for the last few years.



With the year-over-year of success, it can be hard to imagine a time when the company wasn't successful. However, despite opening in Seattle, Washington in 1971, the brand wasn't profitable until the early 1980s. Just a few years later (1987), Starbucks began an aggressive campaign to capture more of the market, opening an average of two new locations a day until 2007.



Since its explosive expansion, Starbucks has grown to over 23,770 locations worldwide, with almost one third of that number overseas.



The story of Starbucks goes beyond simply being inspirational. After all, it wasn't luck or just simple determination that led to its success. It was the company's innovative logistical strategies that kept old customers returning and won over new coffee-lovers.



FROM **ORIGIN** TO **SUCCESS**

SUPPLY CHAIN CENTRALIZATION



Starbucks stores can be found across six continents. Only by **centralizing critical supply chain management functions** has the company been able to succeed across so much distance. There is too much potential for inefficiency and procurement waste for Starbucks to do otherwise.



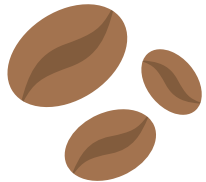
A “scorecard system” is used to gauge its supply chain efficiency.

Four categories in particular are assessed:

- *Safety in operations*
- *On-time delivery and order fill rates*
- *Total end-to-end supply chain costs*
- *Enterprise savings*

The last criteria looks at cost savings from areas outside of logistics, such as R & D, procurement or marketing.

The scorecard system was adopted during the late 2000s when Starbucks found its operational costs rising despite slowing sales. According to **Peter D. Gibbons**, Starbucks executive vice president of global supply chain operations,



“We had been growing so fast that we had not done a good job of getting the [supply chain] fundamentals in place. As a result, the costs of running the supply chain—the operating expenses—were rising very steeply”.

The scorecard system is a measure to keep to fundamentals. With it, the company can take make an objective assessment of its own supply chain, and that of suppliers. Weakness along the logistical current can then be addressed before they compound into a larger problem.

On its own, logistical centralization doesn't draw in new





FROM **ORIGIN** TO **SUCCESS**

SUSTAINABILITY

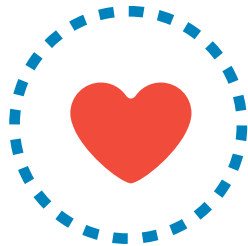


Two attributes best associated with Starbucks, are sustainability and quality. These are not easy goals to balance. Most companies put more weight into one over the other, however Starbucks has found a way. The company has **strict guidelines about buying responsibly grown and ethically traded coffee** that it is very open about. It regularly publishes how well it has done and is also honest about shortfalls. The criteria it measures itself against is how well it has done with forest conservation, responsible coffee purchasing practices, providing farmer support and farmer loan programs.

Suppliers are held to a high standard as well. They need to adhere to the company's Coffee Sourcing Guidelines (CSG) or risk losing the partnership.



Starbucks's commitment to sustainability sees the company also adopt a facilitator role. Not content with just having sustainable and green supply chains, it established the Coffee and Farmer Equity (C.A.F.E) in 2014. These standards encourage farmers and the coffee industry to improve quality, economic accountability and transparency, social responsibility and environmental leadership. The company also shares its discoveries and best practices with producers and competitors alike. This is done so lasting sustainable improvements can be made



More recently, Starbucks managed to score 99% ethically sourced coffee in 2015, demonstrating that its efforts give tangible results. It also invested over \$70 million towards reducing climate change, farm sustainability and the ethical sourcing supporting coffee farming communities.



FROM **ORIGIN** TO **SUCCESS**

SERVICE AND TECHNOLOGY

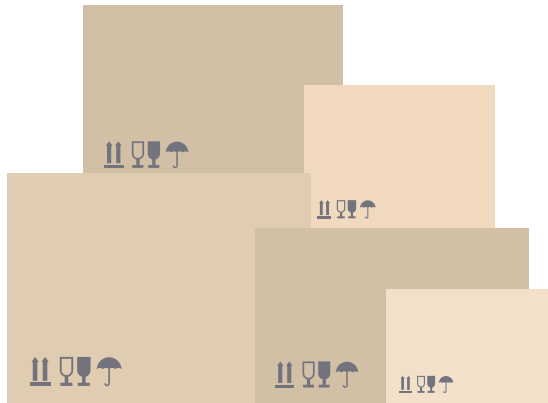




Like other business giants such as Amazon or Uber, Starbucks leverages the latest technology to better serve its customers. Supply chain centralization and a focus on sustainability grants customers the knowledge that their favourite drink was ethically sourced.

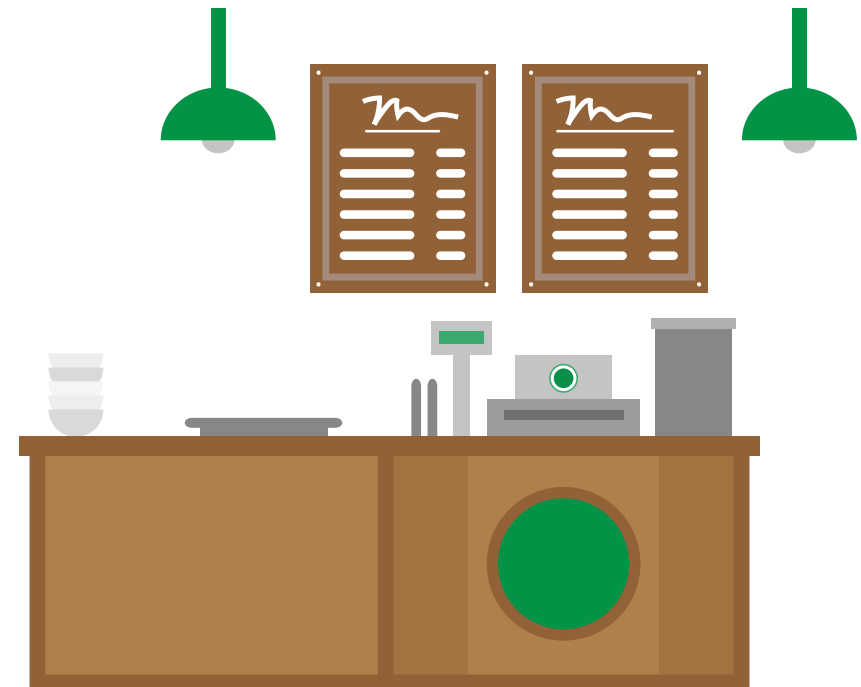
Supply chain transparency “...has a direct impact on consumer trust and a firm’s sustainability performance...[]...enable firms to transparently provide information to customers and stakeholders about the nature and origin of products when requested”
says this [SupplyChain247](#) article.





Use of digital technologies provides agility to Starbucks's supply chain. Automated information systems monitor demand world-wide in real-time. Information such as stock inventory, transport scheduling and storage capacity are all available on-demand as a result.

The latest initiative launched by the company, is to use texts so customers can avoid long lines. **Business Insider** reported that Starbucks is experimenting with text message notifications that inform customers when their orders are ready. The problem it's addressing is the surge in mobile orders which caused a **2% transactions drop in January**. Other solutions the article claims the company is considering are adding more employees and redesigning stores. The trial run is limited to Seattle, but the company hopes to roll out the technology soon to other cities.





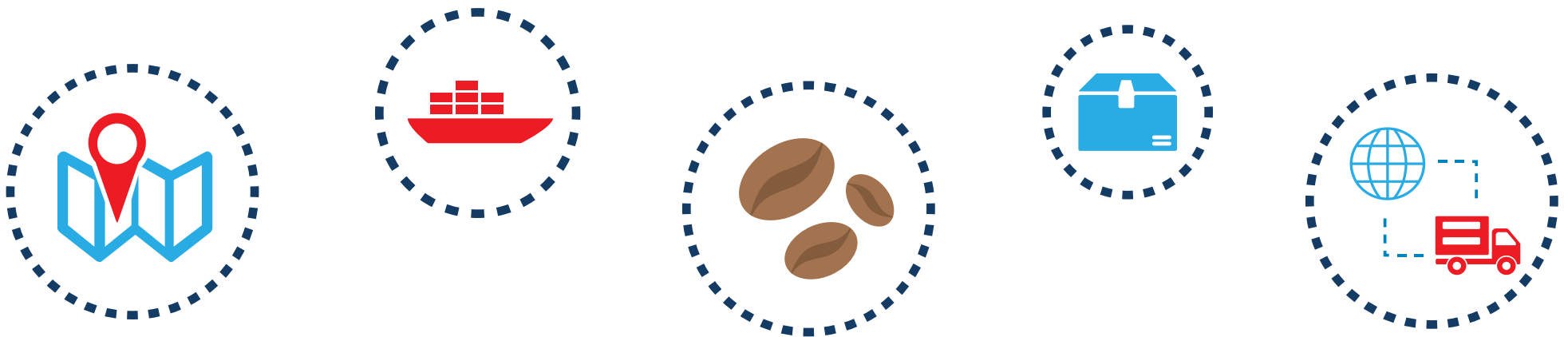
FROM **ORIGIN** TO **SUCCESS**

COMMITMENT TO RELATIONSHIPS



A common thread behind both the values and successes of Starbucks, is a commitment to relationships. Whether it's with farmers, suppliers, the internal team or customers, Starbucks places its resources into building and maintaining fruitful, mutually beneficial relationships. It's part of the company's DNA. Transparency, ethical sourcing, customer loyalty, and consistent quality of services and products are a result.

There are many lessons that the story of Starbucks' success can teach us. It's an example of how looking to the fundamentals of logistics and supply chain management benefits strategy, organization and execution. It, and other retail giants, are seeing success for these reasons, which is a lesson for smaller companies aiming to grow or improve their operations.



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