

Supply Chain Management Processes and Competitive Advantage: The Case of Starbucks

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Abstract—Starbucks' success has been largely attributed to its supply chain strategy. The business has continuously made investments to improve the effectiveness of its supply chain, which includes sourcing coffee beans, manufacturing, distribution, and logistics. With a strong emphasis on manufacturing excellence and the construction of warehouses, distribution centers, and a reliable logistics system, Starbucks has been able to successfully meet customer demands and maintain a strong inventory turnover. Starbucks has embraced digital technology in recent years, using data to inform choices about store locations, promotions, and new product development. of the purposes this paper formulates based on the background study: To understand Starbucks Supply Chain Practices, To understand the Alignment of Starbucks' Supply Chain with Business Strategy, To Identify Key Drivers Shaping Supply Chain of Starbucks', To understand Starbucks' Distribution Networks and Coordination Mechanisms and To identify the Role of Information Technology in Starbucks' Supply Chain. This paper will discuss how Starbucks achieve the competitive advantage through SCM processes.

Keywords— SCM Processes, Competitive advantage, Starbucks.

I. INTRODUCTION

The landscape of global business has become wider especially in this age, where the supply chain's effectiveness has become critical for the success of the company especially to gain the competitive advantage. Supply chain has a significant impact on the company's ability to meet the customer demands, to maintain the efficiency of the operation, and also to measure the competitiveness of the company. Coffee retail industry has a dynamic nature and intense competition that needs a critical approach in terms of supply chain. For companies like Starbucks that used coffee beans as the main material for its product highly depend on the good supply chain strategy which is an efficient and well- coordinated supply chain to maintain the timely delivery of high-quality products. Back then, Starbucks faced a loss in sales by 10% because of the problem in the supply chain that resulted in lateness in delivery of the product (Zhuang, Chen & Li, 2023). That's the reason why the supply chain has a significant role in the Starbucks overall success and how they gain their competitive advantage.

Starbucks emerged as a prominent player in the global coffee industry. The rapid growth of the company on a global scale underscores the importance of the supply chain management on its business strategy. Starbucks attracts attention from the global sector not only for its premium coffee product but also for its strategy to maintain the supply chain management. The integration of sustainability, technology, and strategic fit with the overall business plays a significant role in maintaining Starbucks position in this industry. A thorough

case study on Starbucks' supply chain procedures is necessary, even though there is already literature on supply chain management in a variety of industries. By offering a thorough analysis of how Starbucks manages the difficulties and takes advantage of the opportunities in its supply chain to maintain its competitive edge, this study aims to close a knowledge gap. This study aims to perform a comprehensive analysis of the supply chain management of Starbucks. With a focus on important elements like end-to-end operations, strategic alignment, important drivers, distribution networks, and the role of information technology, the study hopes to offer insightful information that will benefit the field of supply chain management academics as well as practical applications in the business. The following are some of the purposes this paper formulates based on the background study:

1. To understand Starbucks Supply Chain Practices
2. To understand the Alignment of Starbucks' Supply Chain with Business Strategy
3. To Identify Key Drivers Shaping Supply Chain of Starbucks'
4. To understand Starbucks' Distribution Networks and Coordination Mechanisms
5. To identify the Role of Information Technology in Starbucks' Supply Chain

II. LITERATURE REVIEW

Supply Chain Management

Any individual who is directly or indirectly involved in completing a customer request is part of the supply chain (Chopra, 2016). This statement refers to the interconnected network of the whole organization such as individual, activities, resources, stakeholder, and technology that work together to deliver a product or service from the raw material to the final consumer. Organizing the supply chain to optimize its competitive advantage and benefits for the final customer is the aim of supply chain management. (Heizer, Render & Munson 2019). The aim of supply chain management is to effectively plan, coordinate and control all of the stages in the supply chain. These supply chain stages include procurement, production, transportation, distribution, and also the collaboration among stakeholders to optimize overall business performance and gain the competitive advantage. The supply chain is viewed as a source of competitive advantage, because it has a connection with efficiency and responsiveness to customer demands. This means that organizations use the supply chain as a weapon to gain a competitive edge over

rivals. The end consumer is the focus of the supply chain which delivers benefits to the end consumer. The benefits include availability of product, high quality product, faster delivery time, and potential of lower prices. In summary, an efficiently managed supply chain can contribute to a company's competitive position in the market, and also to measure the satisfaction and positive experience of the end consumer. It's also crucial to measure the supply chain structure with the objectives of the company to create effective supply chain management.

Strategic Fit in the Supply Chain

The competitive environment, strategy, organizational culture, and leadership are all taken into account by the principle of strategic fit, which measures how well these elements "fit" with one another. (Soni and Kodali, 2011). This statement highlights the importance of alignment among different elements within an organization, emphasizing that they should be matched to support the overall objectives of the organization. In other words, there should be a harmonious relationship among the competitive situation, organizational culture, strategy, and leadership. When all of these elements are aligned, it will contribute to the organization's overall success. For a company's supply chain and competitive strategies to be strategically fit, their objectives must coincide (Chopra, 2016). The competitive strategy refers to how the company seeks to gain competitive advantage in the industry. The supply chain strategy outlines how the company plans to manage its supply chain activity to support the company's competitive strategy. When the objectives of competitive and supply chain strategy are aligned, the company can achieve greater efficiency and effectiveness. In summary, strategic fit is essential for the company to achieve the goals and ensure a cohesive and effective approach to creating and delivering value to the customers.

Drivers in the Supply Chain

The main elements influencing a supply chain's effectiveness and success are known as supply chain drivers. These drivers play a critical role in shaping the supply chain efficiency, responsiveness, and overall effectiveness. There are five primary supply chain drivers such as facilities, inventory, transportation, information, sourcing and pricing. In the supply chain network, facilities are the real, physical places where goods are made, assembled, or stored (Chopra, 2016). The capacity and locations of the facilities in the supply chain can give impact such as production cost, lead times, and the responsiveness to customer demand. All of the raw materials, work-in-progress, and finished goods in a supply chain are included in inventory (Chopra, 2016). Efficient inventory management is essential for balancing the trade-off between carrying cost and risk of stockouts or excess inventory. Transportation involves transferring stock from one location in the supply chain to another (Chopra, 2016). According to Sunil Chopra, there are numerous ways to combine modes and routes for transportation, and each has unique performance attributes. Decisions related to transportation modes and routes have a direct impact on lead

times, costs, and overall supply chain strategy that is related to responsiveness. Data and analysis about supply chain facilities, inventory, transportation, costs, prices, and customers make up information (Chopra, 2016). Information is a critical component that facilitates communication and coordination across the supply chain. Selecting a supplier for a specific supply chain task, like manufacturing, warehousing, shipping, or information management, is known as sourcing (Chopra, 2016). Effective sourcing contributes to the overall success of and competitiveness in the market. The goal is to create a resilient and efficient supply chain by leveraging the capabilities of selected suppliers and partners. Pricing establishes the amount of money that a business will charge for the products and services it provides throughout the supply chain (Chopra, 2016). Pricing is an essential aspect of the overall business strategy and it has a direct impact on the supply chain including production, distribution, and customer satisfaction.

Distribution Network in Supply Chain

The steps required in the supply chain to move and store a product from the supplier stage to the customer stage are referred to as distribution (Chopra, 2016). Distribution is an essential part of supply chain practices that involves various steps taken to move the product from the raw material, typically from the supplier to manufacturer, to the final customers. Finding the least expensive system design that satisfies customer demands while staying within the limits of warehouse and plant capacities is a common goal when creating a distribution network (Amiri, 2011). The primary goal of a distribution network is to minimize the costs. This includes optimizing allocation resources such as transportation, inventory, and facilities to achieve the most efficient cost-effective system. The distribution network should have a deep understanding of geographic factors to meet customer demand in a timely and cost-efficient manner. Distribution networks need to be flexible enough to change with the times and with the surroundings (Chopra, 2016). To maintain competitiveness and efficiency, distribution networks should adapt to changing technology. Distribution networks can integrate with technology to increase efficiency and improve control within the distribution process.

Sourcing Decision in Supply Chain

The whole suite of business procedures needed to acquire products and services is known as sourcing (Chopra, 2016). Sourcing involves a series of activities such as supplier identification, evaluation, negotiation, contract, and any other fulfillment. Sourcing decisions should be aligned with overall business strategy and objectives, should consider factors such as innovation, partnership, and also the cost. However, sourcing also should align with legal and ethical standards. Optimizing sourcing procedures within a company can increase overall supply chain surplus and profitability for the company (Chopra, 2016). By negotiating with suppliers and optimizing procurement processes, the company can lower its overall cost and directly contribute to increase profitability of the company. Beside that, effective sourcing decisions can

bring not only profit but also competitive advantage because the company has the ability to secure high quality products with competitive prices, respond quickly to customer demand, and also has strong relationships with the suppliers. There are two elements in sourcing which are outsourcing and inhouse. Contractor, Kumar, Kundu, and Pedersen (2010) characterize outsourcing as the reorganization of certain activities, either within the company's domestic country or overseas to outside suppliers. When work is completed internally, it means that a company's staff members are handling it internally rather than hiring a different company to do it. Inhouse decisions are frequently made in reaction to a particular external trigger event rather than always in line with long-term strategic objectives (Hartman, Ogden, and Hazen, 2017). Decisions made internally that are impacted by outside events demonstrate how organizational strategy is dynamic and how agility is necessary in a business environment that is continuously changing.

Transportation In Supply Chain

Moving goods from one place to another as they go from the starting point of a supply chain to the customer is referred to as transportation (Chopra, 2016). The movement occurs at various stages in the supply chain, starting from the raw material from the supplier to the finished goods for the end customer. This movement includes movement of the goods in warehouse, manufacturing, distribution centers, to the end customer. The goal of transportation is to deliver the product to customers. Supply chains use a combination of the following modes of transportation: Air, Package carriers, Truck, Rail, Water, Pipeline, and Intermodal. Having a variety of transportation options allows for the creation of latent time buffers that can be triggered in the event of disruptions (Fan, Schwartz, & Voß, 2016). Diversifying transportation mode introduces the flexibility and time buffer into the supply chain that can navigate the uncertainty and contribute to the resilience and reliability of the overall supply chain. Supply chain logistics, or getting the right assortment to the right place in perfect condition at the right time, depend heavily on transportation integration (Morash & Clinton, 1997). This integration requires strategic planning, collaboration, and the use of technology and information to achieve effective coordination.

Coordination In Supply Chain

Managing dependencies between different supply chain participants and enlisting the help of all supply chain participants to accomplish shared objectives are the two main concerns of supply chain coordination (Arshinder, Arun Kanda and S.G. Deshmukh, 2007). These dependencies include suppliers, manufacturers, distributors, retailers, and any other partners. Coordination of the supply chain necessitates information sharing and consideration of the effects of each state's actions on subsequent stages (Chopra, 2016). An effective coordination relies on the accuracy of sharing information and how fast the information can be delivered to all parties. Coordination of the supply chain depends on timely and accurate information being made available to all participants in the chain (Holweg & Pil, 2007). Prompt

information ensures that the decision making across the supply chain has access to real-time information to address changes in market condition and risk that potentially occur. Accurate information can reduce uncertainty in the supply chain because the drivers within the supply chain have a clear view about the key metrics in the process.

Information Technology in the Supply Chain

Information technology (IT) use is thought to be necessary for the efficient management of today's intricate supply chains (Auramo and friends, 2005). The IT system enables the company to collect, process, and analyze information such as inventory levels, demand patterns, schedule of production, and logistics activities. IT also used to monitor the whole supply chain activities including tracking the movement of goods. Levary (2000) claimed that the use of IT in supply chain management (SCM) reduces cycle times, lowers inventories, lessens the Bullwhip effect, and boosts distribution channel effectiveness. Automation, real-time monitoring, and data analytics are made possible by IT, and these three features help to speed up different supply chain processes. By coordinating IT, customer service efficiency can be increased (Nabila, Chen & Chen, 2022). With IT businesses are able to quickly adjust to shifts in consumer preferences and market conditions. An improved customer experience is facilitated by prompt customer service, precise delivery estimates, and real-time order tracking. Organizations can improve decision-making, communication, and process efficiency by coordinating IT with customer service initiatives. Performance in the supply chain can be greatly impacted by the efficient use of IT (Chopra, 2016). Achieving operational excellence, streamlining procedures, and adapting to changing market conditions all depend on the supply chain's effective use of IT.

III. RESULT AND DISCUSSION

Company Profile

Starbucks is an American company that runs the world's largest chain of coffee shops and one of the most well-known brands (Britannica, 2023). Jerry Baldwin, Zev Siegl, and Gordon Bowker launched Starbucks at Seattle's Pike Place Market in 1971 (Wikipedia, 2023). In the past, Starbucks operated a single store in Seattle's Pike Place Market where they roasted and sold whole bean and ground coffee, tea, and spices. Starbucks now has the honor of communicating with millions of consumers every day across more than 80 markets. As of December 31, 2017, Starbucks boasted a global presence with 28,039 total stores, signifying its widespread reach (Starbucks, 2019). Starbucks was known for more than just its chain of coffee shops, it was also known for its wide selection of excellent products. Starbucks demonstrated its flexibility in catering to a wide range of consumer lifestyles and preferences by providing its customers with the option to enjoy its offerings not only in-store but also at home or on the go.

Starbucks was able to redefine coffee as an accessible luxury that can be enjoyed in a social setting, or a "third place," away from home and work, by emphasizing the caliber of its coffee beverages and the atmosphere of its coffee shops.

Starbucks implemented a saturation strategy that took into account variables like overall foot traffic patterns, competition, and other factors like proximity to other businesses, amenities, and income levels. Starbucks has never shied away from trying out new flavors and product offerings. Starbucks' coffee supply chain is vertically integrated, going from coffee estate to roasting and finally into a beverage cup, in contrast to many of its direct competitors. As a result, Starbucks is able to better regulate prices, procedures, and quality. Additionally, it aided in establishing the global economies of scale for the business.

Overview of Starbucks Supply Chain Practices

As a well-known chain of coffee shops, Starbucks has continuously shown that it is dedicated to preserving a competitive edge by making smart supply chain investments. Understanding how important the supply chain is to providing premium coffee and other goods to its extensive global network of locations, Starbucks has put policies in place to improve productivity, quality assurance, and sustainability. Starbucks' supply chain strategy emphasizes a number of areas, including distribution, manufacturing, logistics, and effective coffee bean sourcing (Dfreight, 2023). Starbucks works to establish a smooth and effective distribution system to guarantee that its goods arrive at stores around the world on schedule. Starbucks set up more than five "green coffee" warehouses, forty-eight central distribution centers, and nine regional distribution centers (Zhuang, Chen & Li, 2023). Starbucks' supply chain relies heavily on logistics, and the company uses cutting-edge logistics solutions to make the transfer of goods from suppliers to stores as efficient as possible.

In terms of manufacturing, the company produces a wide variety of beverages and goods, all while upholding strict standards as part of its dedication to manufacturing excellence. Compared to rivals in the specialty coffee market, they are able to maintain strong inventory turns because of their intricate manufacturing and distribution process (Larson, 2008). Starbucks stands out from rivals in the specialty coffee market because of its commitment to quality and accuracy in the production process. The company is notable for its ability to maintain a strong inventory turnover rate, which it attributes to the complexity of its manufacturing and distribution processes.

Starbucks logistic using inbound logistic and outbound logistics (Geereddy, 2013). Starbucks uses an effective supply chain management system and has excellent relationships with a variety of coffee bean producers, with whom they source coffee from. This practice is known as inbound logistics. The demand side of the supply-demand relationship is the focus of outbound logistics. The procedure entails both the storage and delivery of goods to the final consumer. By concentrating on logistics efficiency, delays are reduced and a steady supply of goods is guaranteed to satisfy consumer demand.

For sourcing, Starbucks collaborates with more than 400,000 farmers in 30 countries (Starbucks, 2023). This broad partnership highlights Starbucks' dedication to ethical and responsible sourcing methods by fostering direct connections

with coffee growers across the globe. Starbucks' commitment to efficient coffee bean sourcing is one of the pillars of its supply chain strategy. To guarantee the quality and sustainability of its coffee beans, the company works closely with cooperatives and coffee farmers to source coffee beans in an ethical and responsible manner (Dfreight, 2023). Through direct interactions with a significant number of farmers worldwide, Starbucks aims to improve the environmental and social aspects of coffee production. By working with so many farmers, Starbucks not only guarantees a high-quality and varied supply of coffee beans, but it also makes a positive impact on the economic empowerment and general well-being of the communities it serves.

Starbucks' supply chain strategy aims to keep costs as low as possible while ensuring that its customers get the freshest goods, including coffee. Starbucks can respond quickly to changes in customer demand due to its robust supply chain. The company uses technology and automation to streamline operations, which helps with efficient inventory control. Additionally, the company has strong working relationships with its suppliers, which allows them to get other ingredients and premium coffee beans at the most affordable prices. (Dfreight, 2023). Starbucks' supply chain strategy is essentially a well-balanced combination of efficiency, technology, and solid supplier relationships. This strategy not only puts the business in a better position to meet customer expectations for quality and freshness across a wide range of products, but it also helps control costs.

Analysis of Starbucks Strategic Fit

Starbucks has four business values and one commitment that align with the supply chain strategy, which indicates that Starbucks tries to achieve the strategic fit. According to the Starbucks official business website, these are four Starbucks business values: Creating a culture of warmth and belonging, where everyone is welcome; Acting with courage, challenging the status quo and finding new ways to grow our company and each other; Being present, connecting with transparency, dignity and respect; Delivering our very best in all we do, holding ourselves accountable for results. And the commitment is: We are performance driven, through the lens of humanity (Starbucks, 2023). This are the analysis:

Starbucks Business Value and Commitment	Alignment with Supply Chain Strategy
Creating a Culture of Warmth and Belonging	A culture of warmth and belonging is fostered at Starbucks through its supply chain approach, ethical sourcing methods, and partnership with farmers. In line with this core value, Starbucks creates a sense of community within its supply chain by cultivating direct relationships with coffee growers worldwide.
Acting with Courage, Challenging the Status Quo	Starbucks' dedication to ethical sourcing, sustainability, and supply chain automation and technology investments demonstrates a willingness to question the status quo. The company's boldness in challenging established supply chain norms is demonstrated by its adoption of cutting-edge manufacturing and logistics techniques.
Being Present, Connecting with	Starbucks' dedication to providing the best is demonstrated by its emphasis on manufacturing

Transparency, Dignity, and Respect	excellence, strict quality control, and supply chain efficiency. The company's supply chain strategy, which tries to keep costs down while guaranteeing the freshest products, reflects the accountability for results.
Delivering Our Very Best, Holding Ourselves Accountable for Results	Starbucks' dedication to providing the best is demonstrated by its emphasis on manufacturing excellence, strict quality control, and supply chain efficiency. The company's supply chain strategy, which tries to keep costs down while guaranteeing the freshest products, reflects the accountability for results.
Performance Driven, Through the Lens of Humanity	Starbucks upholds the principles of performance-driven supply chain management, as evidenced by its effective distribution network, superior manufacturing, and solid supplier relationships. The focus on Humanity suggests that operational effectiveness and ethical issues are balanced throughout the supply chain.

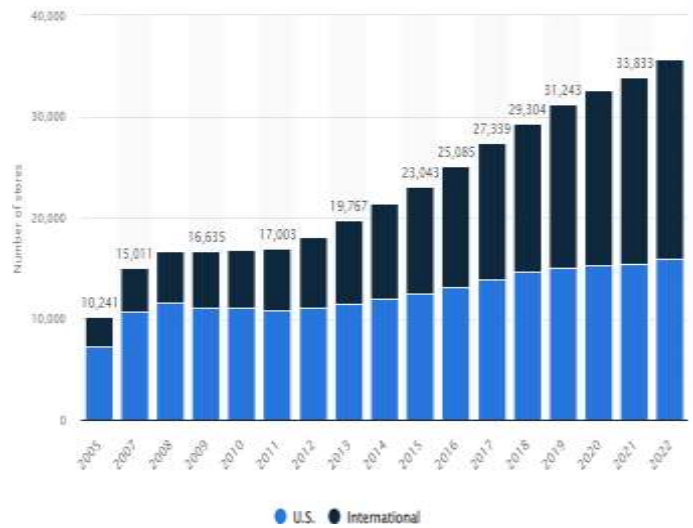


Figure 1: Number of international and U.S.-based Starbucks stores from 2005 to 2022

Source: Statista, 2023

Inventory

Starbucks uses the EOQ Model and the P-system to effectively manage its inventory at the store level (StudyCorgi, 2020). A formula for calculating the ideal order size that minimizes the total of carrying and ordering costs is the foundation of the EOQ model (Ziukov, 2015). The ordering costs and holding (or carrying) costs are the two types of costs in inventory management that are traded off to create the EOQ formula. A business can efficiently balance ordering and holding costs by calculating the EOQ to identify the ideal order size that minimizes the total cost of inventory. Below are the illustration of EOQ Model:

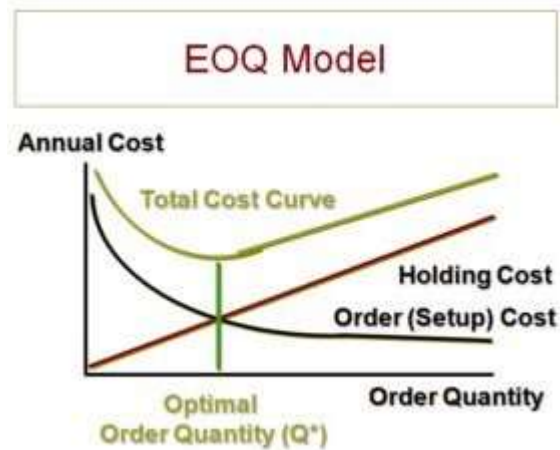


Figure 2: EOQ Model

Source: Alamgir, MD. (2018)

The graph shows that the top curve, which represents the lowest total cost, is equal to the sum of the two curves below it. The intersection of the holding cost and order cost curves yields the lowest total costs. This is in line with EOQ point Q^* . Additionally, the total cost function is seen to be fairly flat in the minimal region. This indicates that a slight variation in

From the table above, Starbucks' supply chain strategy and basic values complement each other well. The company's adherence to sustainability, ethical sourcing, community involvement, and high-quality product delivery aligns with its core values, resulting in a unified and integrated approach to business operations. Along with guaranteeing consistency in the business's operations, this integrated approach highlights the company's dedication to moral, environmentally friendly, and customer-focused supply chain practices. Starbucks' competitive advantage and capacity to satisfy a wide range of stakeholders is enhanced by this strategic fit.

Analysis Of Supply Chain Drivers In Starbucks

Facilities

According to Vixxo, one of Starbucks' partners that handle the facilities management, Starbucks' ongoing expansion and rising expenditure in high-tech machinery made the company's facilities management program difficult. The facilities management program may be strained by Starbucks' ongoing development and expansion, whether it be through the opening of new locations or an increase in its operational capacity. The difficulties facing facilities management may have an impact on employee productivity, the overall experience of customers, and the ability to uphold consistent standards throughout the growing Starbucks network. The company operated 35,711 stores in 80 countries as of November 2022, with 15,873 of those locations being in the US (Statista, 2023). Vixxo is in charge of 9,500 of them, which are spread out across North America. Starbucks' status as a multinational company with a sizable domestic and international footprint is highlighted by this distribution. The company's extensive reach demonstrates its ability to satisfy the needs of a wide range of international customers and cater to a variety of markets. The number of locations in the United States further emphasizes the company's dominant position in the domestic market as well as its ongoing expansion and appeal in that nation.

the EOQ won't have a major impact on the tendency to raise overall costs.

The second method that Starbucks used in their inventory management is Fixed Order Period System or P-System. The P system is a fixed-period system in which order size varies and inventory is only counted at specific times (Wali & Yudoko, 2013). Order sizes are flexible in this system, and inventory levels are only evaluated during pre-arranged review periods. When a more straightforward, regular review approach is more practical and the expenses and labor involved in continuous inventory level monitoring are not justified, this periodic review system is appropriate. The illustration about P-System are in the figure below:

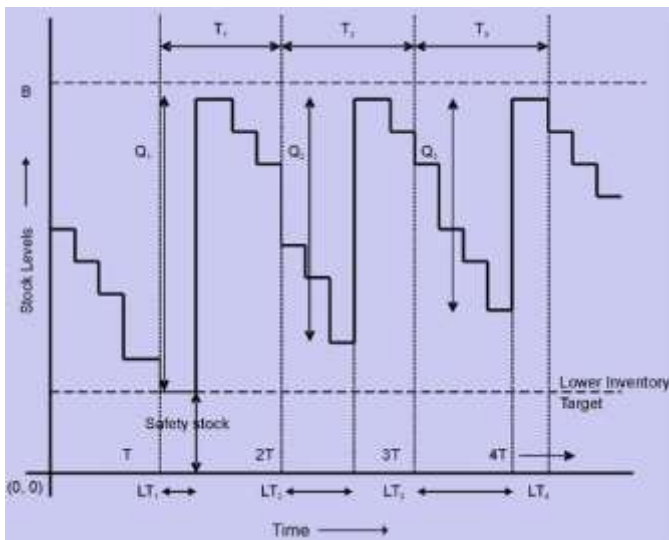


Figure 3: P-System

Source: ExpertMind.com. Fixed Order Period System (P-System)

The order quantity varies based on requirements, but the order period remains fixed in the fixed order period system. The level of inventory on hand at any given time, as well as anticipated future inventory needs, determine the quantity ordered each time. The system's operations are graphically depicted in the above figure. The quantity ordered during T_1 differs from the quantity ordered during T_2 , and orders are placed at equal intervals of time ($T_1 = T_2 = T_3$) (ExpertMind.com). It offers a methodical, less frequent approach to inventory control, making it appropriate in circumstances where the nature of supply and demand and regular, scheduled reviews coincide well.

Transportation

Starbucks, a global chain of coffee shops with thousands of locations across the globe, depends on a complex transportation system to guarantee a consistent supply of coffee beans and other goods to its locations. Starbucks probably uses a mix of modes of transportation because of where its coffee comes from. For instance, bulk coffee bean transportation from nations with seaports may involve ocean shipping, whereas areas with land routes may benefit from trucking via roadways. The unroasted seeds are procured from their place of origin and subsequently transported to storage facilities. Following this, the beans undergo roasting and

canning before being transported to distribution centers for additional necessary processing (Cooke, 2010). Practically, Starbucks uses transportation to deliver unroasted coffee beans to specified storage facilities from their place of origin, which is frequently a country that produces coffee. Combinations of modes are used in this transportation, such as trucking for local transportation and sea freight for international shipments. Distance, economy of cost, and speed are probably some of the factors that affect the choice of transportation. The green coffee beans are shipped to roasting facilities from the storage centers. To preserve the beans' freshness and quality during transit, this stage is essential. Transporting the packaged coffee beans from distribution centers to specific Starbucks locations is the last part of the transportation process. Local distribution techniques, trucks, and regional distribution centers might all be involved in this phase.

Information

According to HighJump Software, the Internet-based Supply Chain Execution (SCE) solution from HighJump Software has been chosen by Starbucks Coffee Company to automate its product distribution network (Peters, 2002). The HighJump SCE solution offers features like order fulfillment, warehouse management, and other logistics capabilities in order to optimize supply chain and distribution operations. HighJump Software is a worldwide supplier of supply chain management software that expedites the information and inventory transfer from supplier to retail shelf (Praire, 2023). Solutions for warehouse management and data collection are provided by HighJump Software, which can be precisely and easily adjusted to meet the operational requirements of various types of businesses. HighJump Software offers Warehouse Management System (WMS), Yard Management System (YMS), and Labor Management System (LMS).

Using company data from the HighJump supply chain management software, HighJump Performance Advantage for the warehouse creates real-time and comparative dashboards by fusing cutting-edge graphical dashboarding technology with industry-developed standards (Business-Software.com, 2023). Intelligent work direction, real-time data, and complete visibility of trucks, trailers, drivers, cargo, and materials are all provided by the HighJump Yard Advantage Yard Management System (YMS), from the time they arrive at the gate until they depart any facility (Business-Software.com, 2023). RFID-based, real-time location tracking allows the workers to keep tabs on the whereabouts of trailers and other equipment in the yard. By giving users access to the precise location of all equipment in the yard, this promotes security and expedites workflows by removing the need for time-consuming trailer searches. Users of the HighJump Labor Management System (LMS) can plan, measure, and monitor labor activities inside each organization to boost productivity (Business-Software.com, 2023). Users can set up individual performance standards in the High Jump LMS, which allows each employee to see expectations and how they are doing throughout the day. The benefit of this system is to reduce labor cost and increase efficiency.

By implementing High Jump Software offer Warehouse Management System (WMS), Yard Management System

(YMS), and Labor Management System (LMS), Starbucks can benefit greatly from the deployment of HighJump supply chain management software. When combined, these systems offer dashboards that are both real-time and comparative, guaranteeing quick insights into warehouse performance and facilitating data-driven decision-making. In addition to fostering continuous improvement, this all-encompassing solution improves Starbucks' ability to make decisions and increases its responsiveness to both internal operational demands and market dynamics. All things considered, Starbucks' adoption of HighJump's cutting-edge supply chain management software is consistent with its dedication to effectiveness, productivity, and data-driven excellence in its international operations.

Pricing

Starbucks applies a premium pricing approach, which entails comparatively high price points and price ranges for goods that the coffee shop industry offers as premium or high-end (Greenspan, 2023). This approach entails pricing the products higher than those of many of its rivals in the coffee shop sector. Starbucks has made significant investments to develop a distinctive and sophisticated brand image and has carefully positioned itself as a premium coffee brand. This covers elements like customer service, store atmosphere, and a dedication to high-quality coffee. Starbucks is very unique about the quality of its coffee beans. The business sources premium Arabica beans and has initiatives in place to promote moral and environmentally friendly coffee production. Industry leaders like Starbucks price their product mix in relation to rival stores with prevailing market price elasticity and competitive premium pricing, even though there are no switching costs due to the high availability of substitute products (Geereddy, 2013). The term "market price elasticity" describes how responsive supply and demand for an item are to price fluctuations. If a product is deemed elastic, price fluctuations will significantly affect demand. Starbucks frequently strikes a balance between implementing a competitive premium pricing strategy, taking price elasticity into account, and setting prices that accurately reflect the state of the market. Pricing premiums competitively means raising them relative to rivals. This tactic frequently depends on presenting a picture of improved quality, outstanding customer service, or a distinctive value proposition. The *figure* below shows the price comparison between Starbucks, Dunkin, and Caribou.

Starbucks formulates targeted price increases that capture the maximum amount customers are willing to pay without driving them away by using research and customer analysis, and it result to profit maximization (Paddle, 2020). Starbucks provides investments in market research to learn about the preferences, attitudes, and actions of its customers. Analyzing data on consumer demographics, product preferences, and the general state of the economy are all part of this process. Starbucks' entire brand image is built around luxury, so they can charge a premium price (Good Man Lantern, 2015). One of the main factors in Starbucks' success has been their reputation and customer base. Customers show willingness to pay for products that they consider as luxury brands. They

believe that the higher the price, the better the quality. Starbucks' ability to provide a reliable, high-quality experience that appeals to its target customer base is key to its success in charging a premium price.

	Starbucks, each	Dunkin', each	Caribou, each	Starbucks, yearly	Dunkin', yearly	Caribou, yearly
Small drip coffee	\$1.95	\$1.59	\$1.69	\$487.50	\$397.50	\$422.50
Small cold brew coffee	\$2.95	\$2.59	\$2.39	\$737.50	\$647.50	\$607.50
Small latte	\$2.95	\$2.69	\$3.19	\$737.50	\$672.50	\$797.50
Small frozen blended coffee*	\$3.25	\$2.99	\$4.29	\$825.00	\$747.50	\$1,073
Medium drip coffee	\$2.25	\$1.89	\$2.09	\$562.50	\$472.50	\$622.50
Medium cold brew coffee	\$3.45	\$3.09	\$2.79	\$862.50	\$772.50	\$697.50
Medium latte	\$3.65	\$3.19	\$3.59	\$912.50	\$797.50	\$897.50
Medium frozen blended coffee*	\$3.95	\$3.69	\$4.69	\$987.50	\$897.50	\$1,173
Large drip coffee	\$2.65	\$2.09	\$2.39	\$662.50	\$522.50	\$697.50
Large cold brew coffee	\$3.75	\$3.59	\$3.09	\$937.50	\$897.50	\$772.50
Large latte	\$4.15	\$3.69	\$3.89	\$1,037.50	\$922.50	\$972.50
Large frozen blended coffee*	\$4.45	\$4.99	\$4.99	\$1,112.50	\$1,247.50	\$1,247.50

Figure 4: Starbucks Coffee Frappuccino versus Dunkin' Frozen Coffee versus Caribou Caribou Cooler Source: (Vachon, 2022)

Distribution Networks of Starbucks

Starbucks set up more than five "green coffee" warehouses, forty-eight central distribution centers (CDC), and nine regional distribution centers (RDC) (Zhuang, Chen & Li, 2023). The phrase "green coffee" draws attention to the unroasted character of the beans and the initial phase of the coffee-making process. According to Kinsley Construction, one of the Starbucks partners, the green coffee warehouse provides supplies for the store as well as receiving and storing goods for consumer products and beans. Starbucks uses these CDCs in 33 US states, 7 APAC states, 5 Canada states, and 3 European countries (Cooke, 2010). Starbucks places its distribution centers strategically throughout the country using its 48 CDCs to improve logistics and shorten transit times. To manufacture in the area where the product is sold, the manufacturing group created a more effective model for delivering coffee beans to its processing plants which are regional distribution centers. Starbucks' dedication to regional efficiency is demonstrated by the use of nine RDCs, which enable localized distribution and adaptability to regional variations in demand.

Outside of the locations run by the company, Starbucks distributes its goods through a variety of channels. These consist of agreements with food service providers, partners with licenses, the grocery channel, warehouse club accounts,

avenues for direct consumer sales, joint ventures, and other specialized businesses (Gia, 2008). Starbucks can reach a wider audience and offer its products in a variety of settings, accommodating a wide range of consumer preferences and lifestyles, as a result of its multi-channel strategy. To support this strategy, they created a partnership with Kraft Food so that Starbucks products will be available on grocery shelves. Beside that, office coffee distributors, institutional food service providers, hotels, airlines, retailers, and restaurants receive deliveries of whole beans and ground coffee from Starbucks.

The company's wide network of physical and online retail locations allows it to reach customers quickly and affordably (Dfreight, 2023). Starbucks' extensive physical store network, spanning multiple areas and communities, guarantees that patrons can always find a Starbucks nearby. Customers can place orders and interact with Starbucks digitally thanks to its mobile app and website, which together make up its online retail presence. Starbucks can efficiently distribute its products by utilizing both physical and online channels. With its extensive physical store network, Starbucks has a significant global market presence. This is enhanced by online channels, which serve clients who favor electronic transactions. Starbucks can adjust to shifting customer preferences by using a dual strategy, regardless of whether customers prefer the ease of online ordering or in-store experiences. Starbucks is able to efficiently and affordably reach customers as a result in a significant part of its vast network, which includes both physical and online retail locations. This multi-channel approach supports Starbucks' status as a readily recognizable and accessible brand while also catering to the preferences of modern consumers.



Figure 5: Starbucks Distribution Network

Source: Lolaromanoff. (2016). Coffee travels fast – Starbucks' Supply Chain

Analysis of Starbucks Sourcing Strategy

Starbucks purchases its coffee beans straight from farmers, bypassing any intermediaries (Lolaromanoff, 2016). Starbucks builds direct connections with growers of coffee. Better communication, comprehension of farming methods, and cooperation on sustainability projects are made possible by

this. To make sure that its clients receive the freshest and tastiest coffee possible, Starbucks sources the best coffee beans from all over the world (Dfreight, 2023). Starbucks' commitment to flavor, quality, and sustainability in its coffee offerings is reflected in this sourcing strategy. Starbucks recognizes that the future of its business is closely linked to the future of farmers and their families, as it purchases about three percent of the world's coffee, which is sourced from more than 400,000 farmers across 30 countries (Starbucks, 2023). Starbucks understands the importance of promoting sustainable practices for the long-term viability of the coffee industry, in addition to being morally right. Starbucks makes a significant contribution to the economic prosperity of numerous communities by sourcing coffee from such a large network of farmers in various regions. This support includes social and environmental responsibility in addition to financial transactions. Starbucks is actively working to establish enduring connections with coffee growers. The goal of this cooperative strategy is to strengthen the global coffee supply chain's resilience and stability. This strategy emphasizes the significance of moral behavior in the global supply chain, which is in line with broader trends in sustainability and corporate social responsibility.

Starbucks ethical sourcing approach to buying coffee is based on the Coffee and Farmer Equity (C.A.F.E.) Practices, which were among the first sets of ethical sourcing standards in the coffee industry when they were introduced in 2004 (Starbucks, 2023). A variety of standards and programs are included in the C.A.F.E. Practices, which are intended to encourage social, environmental, and financial responsibility. This entails advocating for methods like water conservation, biodiversity preservation, and coffee grown in shade. Starbucks wants to reduce the negative effects that coffee farming has on the environment. C.A.F.E. practices have helped Starbucks secure a consistent supply of premium coffee while also improving the lives and livelihoods of coffee farmers and their communities (Starbucks, 2023). Starbucks has contributed to the betterment of coffee farmers' lives and livelihoods by upholding these standards. Fair pricing helps to maintain the sustainability of the economy by guaranteeing that farmers are fairly compensated for their labors. A mutually beneficial relationship that goes beyond transactional business has been created by the emphasis on ethical, social, and environmental considerations, which promotes long-term sustainability and shared prosperity.

In 2004, at the same time as it was introducing its groundbreaking C.A.F.E. (Coffee and Farmer Equity) Practices verification program, Starbucks established its first farmer support center in San José, Costa Rica (Starbucks, 2018). This determined action was a ground-breaking move for the coffee industry, with the goals of protecting the sustainability of coffee farming and improving the welfare of coffee farmers. Starbucks giving farmers free access to Starbucks agronomists' most recent discoveries, such as fresh disease-resistant tree varieties and cutting-edge soil management strategies (Starbucks, 2018). Giving coffee farmers free access to the most recent research and knowledge from Starbucks agronomists is a proactive and beneficial gesture. Agronomists are experts in the science and technology of growing plants,

and they offer crucial information for profitable and sustainable farming operations. Starbucks and coffee farmers are able to establish a lasting relationship through the provision of support through agronomic expertise. By working together, Starbucks fosters trust and shows that it is dedicated to the prosperity and welfare of the farmers who are a vital component of its supply chain. Through its Farmer Support Centers, Starbucks has trained over 200,000 farmers and given them free access to resources and education (Starbucks, 2018). To date, Starbucks has the tenth Farmer Support Center around the world including Costa Rica, Guatemala, Rwanda, Tanzania, Colombia, China, Ethiopia, Indonesia, Mexico, and Brazil. The following is a map of the distribution of Starbucks Farmer Support Centers in the world:



Figure 6: Starbucks Farmer Support Center Source: Starbucks, 2018

Transportation Modes In Starbucks

Starbucks' primary transportation goal is to create an effective model for getting coffee beans and non-coffee goods to possible processing facilities (Kordestani & Khalilzadeh, 2007). These objective highlights how crucial a dependable and effective supply chain is to guaranteeing a consistent and high-quality supply of coffee beans and other products for Starbucks' operations. The Starbucks Company would be able to identify the cost drivers, guarantee prompt delivery to every one of its locations, and boost sales profits with the help of the established transportation objective. Starbucks uses a faster delivery model due to an increase in product demand in marketplaces, so the mode of transportation it uses depends on both market forces and geographic distance.

First, Starbucks uses ocean shipping to transport coffee beans from different parts of the world (Eddu Saver, 2019). Because ocean shipping is so effective at moving heavy loads over long distances, it is frequently chosen. It works especially well for transporting coffee beans from global coffee-producing regions to major distribution or processing centers. Coffee beans can be transported from the countries where they are grown to the locations where they will be processed and distributed in an economical and reliable way via ocean shipping. Cost reductions may result from the simultaneous transportation of large quantities of coffee beans.

The other type of transport is trucking through roads (Eddu Saver, 2019). When coffee beans reach local distribution or processing hubs, last-mile delivery via trucking through roadways becomes necessary. Trucks can handle neighborhood roads and transport smaller quantities of coffee beans to specific retailers, guaranteeing a consistent supply to satisfy customer demand. Due to the route and schedule flexibility that trucks provide, Starbucks is able to quickly respond to inventory needs and adjust to shifting demand patterns. Using trucks to transport coffee beans to nearby or regional facilities can guarantee prompt delivery and assist just-in-time inventory management techniques.

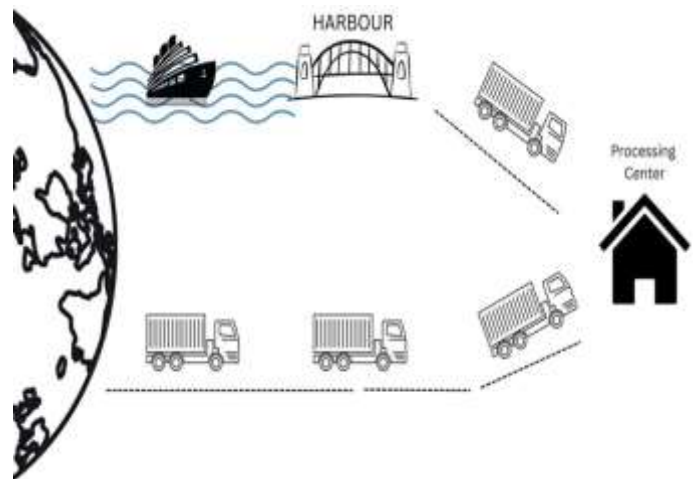


Figure 7: Starbucks Transportation Modes

From the illustration above, it can be seen that Starbucks is combining transportation modes. This depends on the geography of the source. They sometimes use ships for bulk transportation, and also if there is no land route. After arriving at the port, the source will be brought by truckload to the processing center. In the meantime, they also use truckload land transportation if land routes are available. Although truckloads cannot load as much compared to ships, they do not need to transit at a point and change their mode of transportation, which saves time. Starbucks has demonstrated a strategic and flexible approach to supply chain logistics through its multimodal transportation plan. Through the strategic integration of ocean shipping and trucking, Starbucks can tailor its transportation network to the unique requirements of each leg of the journey. This ensures a consistent and punctual supply of coffee beans from various sources to processing centers.

Coordination Mechanisms Of Supply Chain In Starbucks

Starbucks' supply chain is vertically integrated, meaning that the business is involved at every stage of the supply chain procedure (Fronetics, 2023). Effective communication and teamwork are encouraged at all supply chain stages by vertical integration. Starbucks can better coordinate activities because it is involved in every facet, from sourcing to retail. In a vertically integrated supply chain, coordination entails process simplification for increased effectiveness. Starbucks is able to easily coordinate its manufacturing procedures with the needs

of distribution and retail. This coordination guarantees that goods flow through the supply chain efficiently and minimizes delays and costs. Starbucks gets complete supply chain visibility through vertical integration. From the starting point to the last cup offered in its establishments, the company is able to follow the path of coffee beans. Starbucks' vertically integrated supply chain places a premium on consistency in quality and brand standards, which calls for coordination. Due to the company's control over the sourcing, production, and retail of coffee beans, the quality of its products is guaranteed to meet pre-established standards, resulting in a well-organized and consistent customer experience. By coordinating retail operations, the business can make sure that every store offers a dependable and superior experience, boosting customer satisfaction and brand loyalty.

The vertically integrated strategy by Starbucks is supported by another strategy which is end-to-end strategy. Starbucks also used an end-to-end supply chain management strategy for its coordination (SCG, 2023). The comprehensive and integrated management of every component of the supply chain is a key component of the end-to-end supply chain management approach. It places a strong emphasis on smooth communication and visibility throughout the whole supply chain, from locating raw materials to shipping completed goods to customers. This comprehensive end-to-end supply chain workflow assists a business in managing and enhancing its performance at every stage (SCG, 2023). All phases of the supply chain are covered by an end-to-end workflow, from locating raw materials to shipping completed goods to customers. A company like Starbucks is able to handle the entire process with ease due to this comprehensive approach. A crucial component of an end-to-end supply chain workflow is coordination. It guarantees that various supply chain phases collaborate effectively. This minimizes delays and lowers costs for Starbucks by ensuring that manufacturing procedures match distribution and retail requirements. The process offers a foundation for ongoing development. Through performance monitoring at every level, companies can pinpoint areas that require innovation and optimization. Starbucks, for instance, can improve its procedures and maintain its competitiveness by using data from the workflow.



Figure 8: End-to-end Supply Chain

Source: Netsuite, 2023

Obtaining equipment and raw materials for its more than 10,000 locations worldwide was Starbucks' primary challenge. Starbucks had to implement a number of supply chain

management techniques to boost productivity and enhance cost-effectiveness when acquiring and distributing goods throughout its network of coffee shops in order to control the high cost of running the supply chain. End-to-end supply chain management was one of the tactics that worked. In the case of Starbucks, here are some of the steps they take in implementing end-to-end supply chain management in their process.

Coffee bean sourcing: The first step in Starbucks' supply chain procedure is the selection of reasonably priced and high-quality coffee beans. Starbucks maintains quality control over the quality of its raw materials and guarantees a consistent supply for its global network by working directly and cooperatively with coffee farmers.

Roasting and Packing: The coffee beans are chosen, then roasted and packaged to guarantee a uniform quality before being distributed to every branch. The seamless coordination of these procedures is ensured by the end-to-end strategy, which keeps Starbucks coffee's flavor and quality consistent throughout all of its locations.

Distribution and logistics: One essential element of the end-to-end strategy is the focus on efficient logistics services. Starbucks is able to supply a variety of raw materials to each of its locations across the globe by employing effective logistics services.

Inventory management: To monitor the demand for raw materials in each location, Starbucks employs a high-quality, up-to-date stock management system which is one of the elements of the end-to-end supply chain management strategy. As a result, Starbucks can optimize inventory levels and lower carrying costs by quickly monitoring and responding to changes in demand.

Store Operations: A crucial component of the end-to-end strategy is the methodical approach to store operations. Starbucks operates its stores using a methodical approach to minimize operational problems and encourage efficient supply chain management.

Starbucks has lowered costs by up to \$500 billion US dollars by using end-to-end supply chain management, transforming the company's difficulties into an opportunity for growth (SCG, 2023). This cost reduction is probably the outcome of reduced operational inefficiencies throughout the supply chain, effective inventory management, and streamlined procedures. The end-to-end strategy puts Starbucks in a position to successfully navigate obstacles and seize growth opportunities by emphasizing coordination, efficiency, and adaptability. Starbucks' end-to-end supply chain approach resulted in significant cost savings, demonstrating the effectiveness of its coordinated and integrated business operations strategy.

Information Technology Integration In Starbucks Supply Chain

A significant component of Starbucks' supply chain strategy is information technology. The business uses automation and cutting-edge technology to optimize processes and guarantee peak productivity. As a result, they can lower expenses while raising quality and customer satisfaction.

Starbucks employs an assortment of information technology instruments to oversee its supply chain operations. Systems for enterprise resource planning (ERP) that assist the business in monitoring and controlling inventory levels are included in this (Dfreight, 2023). Inventory management is one of the main roles of ERP systems. Starbucks is able to track and manage inventory levels in real time by employing ERP tools. This guarantees that there will be neither an excess nor a shortage of raw materials, including coffee beans, to meet production demands. The business also uses cutting-edge analytics tools to track performance. Software referred to enterprise resource planning (ERP) makes it possible for data from various technological applications to be integrated and shared. Organizations use the software to make it easier to integrate data from various departments, procedures, and roles (BohatALA, 2021). Starbucks uses these systems to create a centralized platform for managing important aspects of the supply chain, facilitating the flow of information across departments and functions.

Starbucks just introduced a Block Chain Technology (BCT) initiative that enables users to find out where their coffee comes from and what the company is doing to help farmers (Gligor, Davis-Sramek, Tan, Vitale, Russo, Golgeci, & Wan, 2022). Every movement and transaction, from the coffee farm to the processing facilities, the transportation network, and ultimately the Starbucks stores, can be documented on the blockchain. Information regarding certifications, testing protocols, and quality standards at every level can also be included in blockchain. The blockchain can also showcase the programs and assistance that Starbucks offers to coffee growers. Starbucks boosts customer engagement and empowers customers to make better decisions by giving them access to this blockchain information. Compared to first-generation "proof-of-work" blockchains, Starbucks uses a more energy-efficient "proof-of-stake" blockchain technology developed by Polygon (Starbucks Odyssey). Proof of Stake (PoS) is an alternate consensus method that doesn't require figuring out challenging riddles. Instead, the quantity of coins that validators are willing to "stake" as collateral determines which of them gets to create new blocks.

Starbucks is officially introducing Starbucks Odyssey that utilizes blockchain technology. This is the coffee chain's first attempt to use web3 technology in a building (Perez, 2022). Starbucks Odyssey is a Web3-enabled, free-to-join experience for Starbucks Rewards members. Members participate in "Journeys," a sequence of exercises, after joining to enhance their understanding of coffee and Starbucks. Examples of these exercises include engaging in interactive games or fun challenges (Starbucks Odyssey). Starbucks Odyssey might assist Rewards members develop a feeling of camaraderie. Within the program, shared experiences, difficulties, and triumphs can foster a lively and involved community of Starbucks enthusiasts. It's clear that Starbucks is looking into new ways to use Web3 technologies to improve customer experience and foster new connections with its customers.

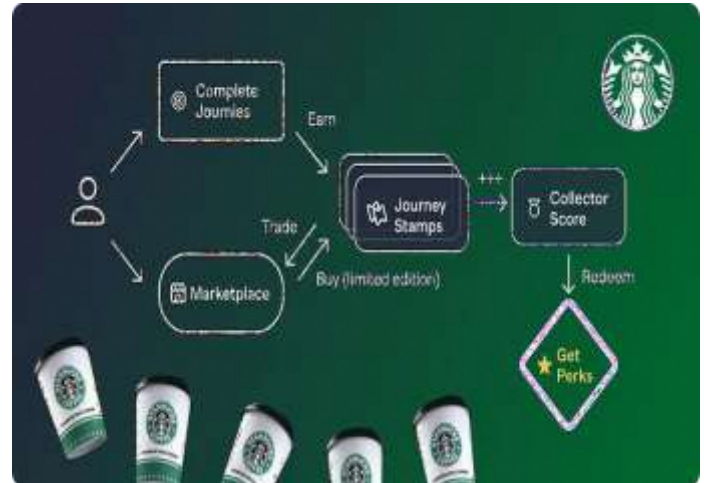


Figure 9: A user's journey toward rewards in the Odyssey program Source: Borgers, 2022

Starbucks uses a range of digital technologies to handle its logistics. This includes GPS tracking devices that let the business monitor shipments in real time and make the required corrections (Dfreight, 2023). Starbucks has demonstrated its commitment to utilizing cutting-edge tools for effective and instantaneous supply chain monitoring through the use of digital technologies, such as GPS tracking devices, in its logistics operations. Starbucks is able to track the movement of shipments in real time thanks to GPS tracking devices. This includes monitoring the whereabouts, velocities, and conditions of delivery trucks transporting goods, coffee beans, and other supplies. Starbucks intends to build a more responsive, effective, and transparent supply chain by utilizing GPS tracking devices and other digital technologies in logistics. This technology-driven strategy for streamlining logistics operations in a competitive and dynamic market is in line with industry best practices.

Starbucks makes decisions about what products to create, what promotions to run, and where to locate their stores by using data to understand their customers (BCA, 2016). Starbucks' dedication to making decisions based on data is indicative of its customer-centric strategy, which seeks to comprehend, anticipate, and meet the needs and desires of its wide range of patrons. Starbucks' digital channels and mobile app are excellent resources for client information. Through these channels, the company gathers location data, purchase history, and user preferences. The customer experience is then improved by using this data to provide tailored recommendations, prizes, and promotions. A case in point is Starbucks Odyssey. The company's ability to remain flexible, adjust to shifting market conditions, and preserve a competitive edge in the retail coffee sector is facilitated by this data-driven approach.

IV. CONCLUSION AND SUGGESTION

Starbucks' success has been largely attributed to its supply chain strategy. The business has continuously made investments to improve the effectiveness of its supply chain, which includes sourcing coffee beans, manufacturing,

distribution, and logistics. With a strong emphasis on manufacturing excellence and the construction of warehouses, distribution centers, and a reliable logistics system, Starbucks has been able to successfully meet customer demands and maintain a strong inventory turnover. Working with over 400,000 farmers in 30 countries, the company's commitment to ethical coffee bean sourcing reflects its commitment to sustainability and social responsibility. Starbucks has embraced digital technology in recent years, using data to inform choices about store locations, promotions, and new product development. Starbucks has demonstrated its commitment to improving customer engagement through its forward-thinking approach with the launch of Odyssey, a Web3-enabled experience.

Starbucks ought to keep funding cutting-edge technology and experiences that put the needs of its customers first. By investigating cutting-edge technologies like Web3 and blockchain, the brand can stay ahead of industry trends. Starbucks should keep up and increase its efforts in ethical sourcing, eco-friendly packaging, and environmental initiatives given the growing emphasis on sustainability. Customers' brand loyalty can be increased by successfully communicating these practices to them. It is crucial to ensure supply chain resilience in a world where things change constantly. To reduce risks and interruptions, Starbucks should review and improve its supply chain strategies on a regular basis. Starbucks can survive in the competitive coffee market and hold onto its position as the industry leader in coffee shops across the world by combining its rich history, dedication to sustainability, improve supply chain process, and proactive approach to technology and customer engagement.

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