

Original Paper

Analysis of Starbucks Supply Chain Status

Based on 3A3S Model

Ao Chen¹ & Jingjing Liang^{2*}

¹ SILC Business School, Shanghai University, Shanghai, China

² SILC Business School, Shanghai University, Shanghai, China

* Jingjing Liang, E-mail: paxlmyt689@shu.edu.cn

Received: June 15, 2021

Accepted: June 29, 2021

Online Published: July 26, 2021

doi:10.22158/jepf.v7n4p52

URL: <http://dx.doi.org/10.22158/jepf.v7n4p52>

Abstract

The 3A supply chain was proposed by Stanford University Professor Hau L. Lee in 2004. In the past five years, he has studied more than 60 leading companies focusing on supply chain management, including Wal Mart, best buy and Martha, and found that the first-class supply chain has three characteristics: agility, alignment, and adaptation. It represents the best state of current supply chain management. He believes that only enterprises with the 3A supply chain can continue to gain a competitive advantage and take the lead in the competition. 3S model refers to the analysis of substitution effect (business substitution), scale effect (scale expansion) and structure effect (production structure and distribution channel change) used in enterprise supply chain management. This paper aims to use the 3A3S model to analyze the current situation of the company's supply chain with Starbucks as an example and draw conclusions through detailed research and analysis, to provide some experience and lessons for more enterprises' supply chain management.

Keywords

3A supply chain, supply chain management, 3A3S model, Starbucks

1. Introduction

The Supply chain refers to the functional network chain structure that revolves around the core enterprise, starting from supporting parts, making intermediate products and final products, and finally delivering the products to consumers by the sales network, connecting suppliers, manufacturers, distributors, and end-users into an integral whole. With the increasing development of China's economic structural adjustment, the requirements for energy conservation and emission reduction of enterprises are more stringent. Enterprises can only reduce the production and operation risks caused

by environmental pollution related to products and production processes by strengthening the self-restraint mechanism of environmental protection. Green supply chain management can minimize the resource consumption and environmental negative effects of the whole supply chain. Additionally, it can also effectively meet the growing demand for green consumption, thereby enhancing the competitiveness of the supply chain. Hence, the role of supply chain management is highlighted. Its business philosophy is from the perspective of consumers, through the cooperation between enterprises, seeking the overall optimization of the supply chain. Successful supply chain management can improve the reliability and flexibility of delivery, reduce inventory, reduce production and distribution costs, and optimize the overall “process quality” of the enterprise. Therefore, this report aims to use the 3A (Agility, Alignment, Adaptation), 3S (Substitution effect, Scale effect, Structural effect) model to analyze the status of the Starbucks’ supply chain, and draw conclusions through detailed research and analysis, so as to provide some experience and lessons for more companies’ supply chain management.

2. Methodology

2.1 Case Analysis

This report adopts the research method of case analysis. In the book of case study: design and method, Yin (2004) mentioned that a case study is an empirical study, but it is different from quantitative research methods such as the experimental method, which needs to design and control the environment and process systematically, accurately, and carefully, and carry out rigorous mathematical calculation and data processing to verify the clear mathematical relationship between several variables.

The topic of this report, “Analysis of Starbucks supply chain status based on 3A3S model”, is to explore the specific measures of current enterprise supply chain management and study how to conduct a good supply chain management. However, it is a specific analysis of a specific enterprise, which has many uncertainties and uncontrollable conditions, and cannot carry out exactly accurate mathematical relationship statistics. Therefore, this report adopts the case analysis method, aiming to analyze the status quo of Starbucks supply chain by using the 3A3S model.

Table 1. Establishment of 3A Supply Chain

Agility	Adaptation	Alignment
Goals: Quickly responding to short-term supply and demand changes and perfect handling of external disturbances	Goals: Responding to structural changes in the market by adjusting the design of supply chains; Adjust the supply chain network according to strategy, product, and technology.	Goals: Identifying goals that will lead to better returns
Methods:	Methods:	Methods:

Enhancing information communication with suppliers and customers.	Monitoring global economic development, exploring new supply chains and new markets.	Free exchange of information and knowledge with suppliers and customers.
Developing relationships with suppliers.	Using intermediaries to develop new suppliers and logistics infrastructure.	Identifying clear roles, tasks and responsibilities with suppliers and customers.
Designing for delay strategy.	Evaluating the needs of end customers, rather than focusing only on the needs of immediate customers.	Sharing the risk, cost, and profit after improvement fairly.
Building inventory buffers by keeping cheap core components in stock,		
Owning a reliable logistics system or partner.		
Developing an emergency plan and establishing crisis management team.		
Establishment of 3S Supply Chain		
Substitution effect	Scale effect	Structural effect
Goals: Services substitute	Goals: Scaling up production	Goals: Changes in production structure and distribution channels

3. Literature Reading

This report mainly refers to two articles Research on Performance Evaluation Index System of Retail Enterprise Based on 3A Supply Chain and De-centralization and Re-centralization: The Transformation of Commercial Enterprises from the Perspective of 3A Supply Chain, summarizes and reflects the views of each article, and finally makes comments on the shortcomings of each article.

Table 2. 3. Literature Reading

Article	Writer	Viewpoint	Comments
Research on Performance Evaluation Index System of Retail Enterprise Based on 3A Supply Chain	Hui Yu	1. 3A supply chain was put forward by Professor Hau L.Lee of Stanford University in 2004. 2. Only the enterprises that have established the 3A supply chain can continue to gain competitive advantages and be in the leading position in the competition.	It only involves three characteristics of the 3A supply chain and its realization approach, and does not illustrate the specific application of the 3A supply chain in enterprise supply chain management with examples
De-centralization and Re-centralization: The Transformation of Commercial Enterprises	Wenzhang Zhang	1. Based on the perspectives of agility, adaptability and alignment proposed in the 3A supply chain, this paper analyzes the current phenomenon of supply chain	Although this report affirms de-intermediation and re-intermediation from the perspective of the 3A supply

from the Perspective of
3A Supply Chain

de-centralization of commercial chain theory, it does not enterprises and further discusses the analyze the conditions for the implementation possibility of de-intermediation and re-centralization. re-intermediation of 3A.

2. Both de-intermediation and re-intermediation can improve agility of the supply chain and affect the overall cooperation of it to varying degrees.

4. Case Study

4.1 Company Overview

Starbucks is an American coffee chain company founded by Jeff Seeger, Jerry Baldwin, and Gordon Bock in Seattle, the USA in 1971. Howard Schultz bought Starbucks in 1987, transforming it from a coffee bean business into an Italian coffee house. In 1998, Starbucks entered China. In 1992, NASDAQ, known as the cradle of high-tech companies in the United States, went public successfully. Starbucks has more than 32,000 stores around the world and sells a wide range of espresso, hot and cold coffee drinks, pastries, coffee makers and coffee cups.

4.2 3A Analysis

4.2.1 Agility

The Agility in Starbucks' supply chain is reflected in the following four aspects: The first is real-time follow-up. Starbucks will collect feedback and demand from consumers through activities such as questionnaires giving drinks and so on, to improve its products and services. The second is food delivery. In the face of consumers' growing demand for delivery services, Ele.me and Starbucks officially launched the trial operation of Starbucks Delivery on September 19, 2018. Recently, its delivery service has expanded to 2,000 outlets in 30 cities across China.

Then, in the face of a post-crisis slump in the coffee market, Starbucks introduced Via instant coffee in 2009. "Instant coffee as good as Starbucks brewed" is its highlight. The launch helped Starbucks reach \$100 million in global sales in just 10 months and build more than 40,000 outlets. Finally, Starbucks is in inventory management mode: sales forecast data, inventory structure, actual inventory quantity of products and fluctuation of consumer demand. If the actual stock is below the level of the order point, the purchasing department will issue replenishment orders. The supplier produces immediately after receiving the order, which guarantees that the order period is not more than two weeks. When the sales department receives the customer's order and arranges the delivery of the goods, the ERP system of the Starbucks sales department will automatically generate the settlement order and start the subsequent settlement process.

4.2.2 Alignment

The Alignment of Starbucks' supply chain is reflected in its emphasis on cooperation with suppliers and

information sharing.

The first is to pay attention to the cooperation with suppliers. Starbucks attaches great importance to the benign cooperation with upstream suppliers, builds long-term reciprocity with suppliers, implements a complete evaluation system and database, and can accurately evaluate the performance of each supplier, which improves the bargaining chip with suppliers in contract negotiations. In addition, Starbucks pays attention to information sharing with consumers and suppliers, so that they can see a better prospect of cooperation, and at the same time make consumers feel more comfortable and happier to buy products.

4.2.3 Adaptation

The adaptability of Starbucks' supply chain is reflected in the following three aspects.

The first is supplier localization. After strict inspection, Starbucks selects suppliers in the place of sale, which reduces the procurement cost and improves its popularity. For example, Starbucks established Yunnan Coffee Growers Support Center in Yunnan Province. The second is product localization. Starbucks will develop products with local characteristics according to different local cultures in China, such as the zodiac cup sold by Starbucks. This move has won more consumers' favor. Finally, store design localization. Starbucks will redesign the stores by combining the pictures of the stores and the surrounding environment, so that the stores can better integrate into the local culture and business circle, such as the Starbucks store in Beijing.

4.3 3S Analysis

4.3.1 Substitution Effect

Swiss food giant Nestle reached an agreement on August 28, 2018, to pay US coffee chain Starbucks \$7.15 billion for the right to sell its products worldwide. After the agreement takes effect, Starbucks will focus on its Liberty Cafe business. Kevin Johnson, CEO of Starbucks, said that by outsourcing product sales to Nestle, it replaces the production of the original brand company and creates economies of scale. "The Global Coffee Alliance will bring the Starbucks experience to millions of families around the world through Nestle's influence and reputation".

4.3.2 Scale Effect

The first is the number and layout of stores. As of December 14, 2018, the number of stores worldwide reached 21,300, spread across North and South America, Europe, the Middle East, and the Pacific. It has 3,600 stores in 150 cities across China. In addition, it can be found in shopping centers and shopping malls such as Xintiandi, Sunlight and Global Harbor, as well as office buildings with huge customer flow, which can save the cost of publicity.

Secondly, the expansion of distribution channels. Supermarkets accounted for half of all coffee sales in America in 1998, so the more than 26,000 grocery stores represent a much wider market than Starbucks' retail chain and specialty distribution channels and tapping into that channel could bring millions of customers to the company. Moreover, entering the supermarket can also save the company's transportation costs and reduce operating costs, and the company's retail ability will be further

strengthened.

Finally, the acquisition measures. Starbucks bought Evolution Fresh, a healthy drink brand, when healthy eating was just beginning to make its way into people's lives. In 2012, it acquired the French Bread brand. This not only meets the needs of some consumers, but also drives the optimization of the public's lifestyle, enabling Starbucks to realize the transformation from stimulating consumption to leading consumption. In November 2012, Starbucks acquired Teavana, and in August 2016, Teavana officially entered China.

4.3.3 Structural Effect

The first is the product structure. Starbucks will expand its scope of business from the single raw bean coffee to the catering categories such as bagged coffee, tea, alcoholic beverages, cakes, and bread, and strive to attract customers with a richer selection of products. At the same time, we continue to develop cultural and creative products around the brand, such as cat claw cups and so on.

Secondly, the structure of the production supply chain. With the increase of stores, supply chain management is carried out in accordance with the inventory production mode. The management department regularly understands the forecast sales data and adjusts the inventory structure by combining the predicted sales data with the inventory structure. Then according to the actual inventory quantity of the product, combined with the defined inventory structure and the fluctuation of consumer demand, if the actual inventory is lower than the level of the order point, the purchasing department will issue replenishment orders. At the same time, focus on regional coffee cultivation, cultivate good suppliers, suppliers will produce immediately after receiving orders, shorten the delivery time.

Finally, sales channels. From single store direct sales to online orders, and then into supermarket retail, now with Alibaba to develop takeout business.

5. Conclusion

By analyzing the supply chain management of Starbucks through the 3A3S model, we can draw the following conclusions: First, when the market or strategy changes, an excellent enterprise does not have to stick to the original supply chain but should make timely changes. Second, if an enterprise wants to move up the value chain, it must move from the production link to the design link, or the demand link, namely the brand marketing, and the service link. Third, building a resilient supply chain requires two key components: the ability to see trends, and the ability to change the supply network. Fourth, a strong supply chain requires all manufacturers on the chain to work together to achieve synergies.

An outstanding supply chain management can make the supply chain operation reach optimization, with minimal cost, make the supply chain from procurement, to satisfy the final customer of all processes, including workflow, physical flow, cash flow and information flow can operate efficiently, put the right products, at a reasonable price, timely and accurately delivered to consumers.

6. Limitation and Future Research Plan

This report only takes a case, Starbucks Company as an example and uses the 3A3S model to make a specific analysis of its supply chain. Although Starbucks is big enough and representative enough. However, it cannot simply “replace the face with the point” and replace the supply chain management method of the whole industry with Starbucks. Therefore, in the future, several enterprises will be further selected according to the scale and characteristics of enterprises and other indicators to use the model for analysis, to further enhance the rigor and credibility of the conclusions of this report.

References

- Ding, X. (2005). *Research on Operation Performance Evaluation System of Chain Retail Enterprises under Supply Chain Management Environment* (Master's thesis).
- Huo, J. Z., Zhang, Y. Z., & Ni, H. C. (2002). Research on retailer performance evaluation system based on supply chain. *Industrial Engineering and Management*, 06, 9-13.
- Ma, S. W. (2005). *Supply Chain Management*. Beijing: China Machine Press.
- Yu, H. (2006). Research on Performance Evaluation Index System of Retail Enterprises Based on 3A Supply Chain. *Logistics Technology*, 07, 33-35.
- Zhang, W. Z. (2018). De-intermediation and Re-intermediation: The Transformation of Commercial Enterprises from the Perspective of 3A Supply Chain. *Journal of Anhui University of Technology (Social Science Edition)*, 35(02), 15-18.