The Management University of Africa

Sponsored by the Kenya Institute of Management

POSTGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTER OF BUSINESS ADMINISTRATION

MBA 504: SUPPLY CHAIN MANAGEMENT

DATE: 29th march 2023

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow

STARBUCKS PRIMARY ACTIVITIES IN ITS SUPPLY CHAIN /VALUE CHAIN

Starbucks is a roaster, marketer and retailer of coffee. The Starbucks journey began with a single store in Seattle in the year 1971. From there it grew to become one of the most recognized brands in the world. Starbucks' mission is "to inspire and nurture the human spirit-one person, one cup, and one neighborhood at a time."

The inbound logistics for Starbucks refers to company-appointed coffee buyers selecting the finest quality coffee beans from producers in Latin America, Africa, and Asia. The green or unroasted beans are procured directly from the farms by the Starbucks buyers. These are transported to storage sites, after which the beans are roasted and packaged. Value is added to the beans through Starbucks' proprietary roasting and packaging, which helps to increase their selling value. The beans are then sent to distribution centers, a few of which are company-owned and some of which are operated by other logistic companies. The company does not outsource its procurement, ensuring high-quality standards right from the point of selection of coffee beans.

Strategic relationships with suppliers is one of the main sources of value for Starbucks inbound logistics. The company operates eight farmer support centres staffed with agronomists and sustainability experts who work with coffee farming communities to promote best practices in coffee production designed to improve both coffee quality and yields.

Starbucks operates in more than 80 markets, either in the form of direct company-owned stores or licensed stores. The company has more than 32,000 stores globally. It is also the owner of several brands, including Teavana, Seattle's Best Coffee, and Evolution Fresh.

According to its financial reports, the company generated 81% of its total net revenue during the first half of its 2020 fiscal year from its company-operated stores while the licensed stores accounted for 11%.

Main sources of value in Starbucks operations include positioning of stores in high-traffic, high-visibility locations. Moreover, the company is able to vary the size and format of its stores to locate them in or near a variety of settings, including downtown and suburban retail centers, office buildings, university campuses and in select rural and off-highway locations.

'Starbucks experience', i.e. 'third place' experience where customers can spend quality time alone or in the company is an additional point, where the company adds value to its operations. The world's largest coffee retailer also adds value in operations via proving free WiFi internet access in its stores.

Customers can purchase Starbucks products from company-operated and licensed stores. Online sales channel is also utilized by Starbucks for certain range of products such as packaged coffee, tea, drinkware and drink-related equipment. In addition, a very limited range of Starbucks products such as 3-in-1 coffees in sachets can be purchased from a set of leading supermarket chains such as Wal-Mart, Tesco and Sainsbury's.

Apart from supermarket chains that sell limited range of company's products, the absence of intermediaries such as resellers or wholesalers is the main source of value for Starbucks outbound logistics. The company roasts its products in-house and sells on its own company-operated and licensed stores, thus keeping the margin that otherwise would have gone to wholesalers and resellers.

Starbucks invests more in superior quality products and a high level of customer service than in aggressive marketing.

Traditionally, Starbucks was not keen at investing on marketing. Word-of mouth cost-effective form of marketing based on high quality of products and high level of customer services was the main channel promoting the brand for years. However, rapidly intensifying level of competition motivated the senior management to reassess the marketing strategy and Starbucks marketing budget has been consistently increasing. This budget is invested into various elements of print and media advertising, sales promotions, events and experiences, public relations and direct marketing.

High level of integration of social media and technology into sales processes represents one of the solid sources of value for Starbucks Coffee. The company has successfully implemented mobile order and pay system for its products and currently, about 8% of all orders are placed via mobile phones. Moreover, Starbucks has enabled orders via Amazon.

Starbucks aims at building customer loyalty through its in-store customer service. A signature retail objective of Starbucks has always been to provide customers with a unique Starbucks Experience.

Superior customer services are the core source of Starbuck competitive advantage and this particular primary activity adds an enormous value to the brand image. Starbucks baristas are always genially polite and greet regular customers by their names. Occasionally, regular customer may get their regular coffee free of charge at the discretion of baristas as good gesture and such acts increase the perception of the service quality to a considerable extent.

Furthermore, amid ever-intensifying hectic nature of lifestyle and increasing speed of the provision of customer services, service at Starbucks is never rushed. It has been rightly noted that "Starbucks spends a lot of time measuring and improving how well they match their customers' speed expectations—delivering a custom (truly from scratch) beverage in a matter of minutes—they don't let the need for speed suck the life out of the Starbucks experience."

Required

a) The company generated 81% of its total net revenue during the first half of its 2020 fiscal year from its company-operated stores while the licensed stores accounted for 11%. Highlight the benefits /goals of creating value chains through supply chain **(15 marks)**

b) Starbucks' mission is "to inspire and nurture the human spirit-one person, one cup, and one neighborhood at a time." Elaborate other four activities of the value chain model that enabled the company to inspire and nurture its customers. **(15 marks)**

QUESTION TWO

a) Elaborate five techniques of demand forecasting in supply chain management **(5 marks)**

b) Explain five Supply Chain Strategies that companies attempt to deal with supply chain uncertainties. **(10 marks)**

QUESTION THREE

a) Global supply chains or globally optimal, integrated solution is a difficult and challenging problems. Explain how to Manage Uncertainty and Risk in the global supply chain. **(10marks)**

b) Discuss the concept of lean agility, i.e., "the combination of the lean and agile paradigm within a total supply chain management. **(5 marks)**

QUESTION FOUR

a) Discuss the importance of capacity planning decisions in a specific industry/ sector or organization. **(10 marks)**

b) Explain five reasons for the slow growth of e-procurement in Kenya. **(5 marks)**