Operations Strategy

It is concerned less with individual processes and more with the total transformation process that is the whole business. And how the competitive environment is changing and what the operation has to do in order to meet current and future challenges. It is also concerned with the long-term development of its operations resources and processes so that they can provide the basis for a sustainable advantage.

Four Perspectives on Operations Strategy

1. **Top-down Perspective**: Corporate objectives impact on business objectives which, in turn, influence operations strategy.
2. **Bottom-up Perspective**: Day-to-day experience of providing products and services to the market reveals problems and potential solutions which become formalized into operations strategy.
3. **Market Requirements Perspective**: Operations strategy should satisfy the organization’s markets.

Marketing Requirement Perspective:

The five performance objectives quality, speed, dependability, flexibility, and cost.

1. **Quality**

Quality is placed first in our list of performance objectives because many authorities believe it to be the most important. Quality is discussed largely in terms of it meaning ‘conformance’. That is, the most basic definition of quality is that a product or service is as it is supposed to be. In other words, it conforms to its specifications.

Starbucks score high on Quality aspect. The highest quality, Arabica, coffee beans are purchased from farms in developing countries. To add value for the customers, the coffee beans then went through a physical transformation process where they were dark roasted, packaged, and delivered to the retail stores or purchased through direct mail.

At the retail stores, the baristas brewed the coffee and serve it to the customers. Starbucks learned early on that the quality of the coffee that ends up in the customers’ hands can be easily ruined by mishandling activities in the supply chain. To control process quality, Starbucks had to manage its own supply chain. Simply put, if the farmer does not get a good price for the green coffee beans, they then would not invest in fertilizer and the maintenance involved in growing quality coffee beans.

The coffee can be under or over roasted. If the coffee beans sit on the shelf for too long they go stale, so the right amount of inventory is a crucial factor, which in turn relates to the effectiveness of supply chain management. The water used to make the coffee affect the taste. If the coffee is brewed improperly the taste is affected. If the coffee sits in a pot more than 20 minutes it is no longer considered fresh. Serving quality coffee in ceramic cups enhances the flavor, but makes it impractical for carry outs. Because of these circumstances, Starbucks prefers to handle its own supply chain, open company-owned stores, and has resisted franchising in fear of giving up its control over selling a high-quality product. Because coffee was the core service at Starbucks, the job of purchasing was not outsourced. The experience came with the original owners of Starbucks when only coffee beans were sold. The
entrepreneurs buying the coffee were considered connoisseurs of quality coffee and had many years of “coffee” experience. As a result of this experience, customers were educated about coffee, and it became a value-added service at Starbucks. Also it has a deal with TCL, a coffee subsidiary of Tata Global Beverages Limited is supplying premium coffee beans to Starbucks Corp.

2. Speed

Speed is a shorthand way of saying 'Speed of response'. It means the time between an external or internal customer requesting a product or service, and them getting it. Superior customer services is the core source of Starbucks 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 beverage in a matter of minutes—they don’t let the need for speed suck the life out of the Starbucks experience.”

3. Dependability

Starbucks score high on dependability dimension also. The coffee drinks are inert. It’s the people that work at Starbucks that pass on the passion and knowledge about coffee. Because baristas are expected to be more than transaction handlers, the skill involved is higher than is required from a server at McDonald’s, for example. Starbucks has traditionally invested more on training than on advertising. Employees, “partners” as they are called, all go through 24 hours of training on making a quality cup of coffee and learn about all the coffee varieties that are served at Starbucks.

In addition to training, there are other ways that Starbucks guarantees a reliable coffee drink. A poka-yoke (error-proofing) technique is used to help relay an espresso drink order to the barista behind the espresso bar (i.e., “callout order,” “repeat order”).

A typical service blueprint of the order process at Starbucks is shown in Figure
4. Flexibility

This is a more complex objective because we use the word 'flexibility' to mean so many different things. The important point is that flexibility always means 'being able to change the operation in some way'. Some of the different types of flexibility (product/service flexibility, mix flexibility, volume flexibility, and delivery flexibility). It is important to understand the difference between these different types of flexibility, but it is more important to understand the affect flexibility can have on the operation.

At Starbucks, the customer is in control of the process, thus, the baristas are trained to prepare a drink the way the customer wants it. This can make the order process take longer time, but improves the sales opportunity. One thing a barista will not do, for sanitation reasons, is make a drink with milk that customers may bring in to the store with them.
Hence Starbucks score high on product/service flexibility.

5. Cost

There are two important points here. The first is that the cost structure of different organisations can vary greatly. Second, and most importantly, the other four performance objectives all contribute, internally, to reducing cost. This has been one of the major revelations within operations management over the last twenty years.
"If managed properly, high quality, high speed, high dependability and high flexibility can not only bring their own external rewards, they can also save the operation cost."

TCL, a coffee subsidiary of Tata Global Beverages Limited is supplying premium coffee beans to Starbucks Corp. Starbucks Corp’s deal with TCL to source coffee bean from the homeland helps TSL to avoid the 100 percent duty that Coffee Bean, Gloria Jeans Coffee and Costa have to pay and hence provide a supply and cost advantage over its peers.
Also it follows the policies of premium pricing. So the profitability overall is very high.