



# Case Study: Starbucks' New Manufacturing in the USA

*54% of U.S. companies over \$1 Billion in revenues plan to bring some of their manufacturing capability back to America or have already done so.*

## **COMPANY:** Starbucks

### **INDUSTRY:**

Coffee, Retail Food Service

### **NEW MANUFACTURING LOCATIONS:**

East Liverpool, Ohio and Augusta, Georgia



“OUR GEORGIA FACILITY HAS ALLOWED FOR AN IMPROVED COST STRUCTURE, SHORTER LEAD TIME FOR PRODUCTION, AND INCREASED BUSINESS RESPONSIVENESS.”

Steve Lovejoy  
Senior Vice President,  
Global Supply Chain,  
Starbucks



## BACKGROUND:

Starbucks was established in 1971 in Seattle, Washington, and has enjoyed tremendous success over the years. Starbucks is currently the largest coffee chain in the world, with over 21,000 stores in 68 countries. Starbucks sells coffee wholesale to retail stores such as grocers and drug stores, as well as their own retail locations. Starbucks employs over 182,000 people worldwide. In 2014, their estimated revenue was \$16 billion, achieving steady sales growth year over year. Starbucks has multiple manufacturing and distribution centers located throughout the United States.

CEO Howard Shultz’s passion for his employees and the American brand is what led Starbucks to bring manufacturing back to the US. Shultz has made it one of his personal missions to put Americans back to work.

In 2012, Starbucks announced they would be sourcing their new coffee mugs from American Mug and Stein, a reopened ceramics factory in East Liverpool, Ohio, where mugs are individually designed and manufactured by skilled craftsmen. The ceramics industry was once centered in eastern Ohio’s Appalachia region and was known as the “pottery capital of the United States.” Sourcing from American Mug and Stein was a move Starbucks made to try to shift some of its manufacturing from high-tech, cheaper Asian factories back to the United States.

The owner of American Mug and Stein, Clyde McClellan, says Starbucks has kept the factory busy making the “indivisible” mug and another mug that sells at Starbucks’ Pike’s Place store in Seattle. McClellan says the monthly contract supplies about 50 percent of his business and has allowed him to retain his 20 employees.

A month after the Ohio announcement, Starbucks announced that they would construct a new facility in Augusta, Georgia to create an advanced soluble processing facility at a cost of \$172 million. The products being manufactured in Georgia include Ready Brew VIA coffee and refreshers, and ingredients for Frappuccino beverages.

# DECISION FACTORS FOR RESHORING:

There were a few decision factors that motivated Starbucks to reshore their operations to Ohio and to Augusta, Georgia in addition to its mission of creating jobs that will revive local communities.

Stephen Lovejoy, Senior Vice President of Global Supply Chain at Starbucks, provided insight into their reshoring process for soluble products that were previously outsourced including how they justified the move back to America.

- Georgia has strong access to a highly skilled labor force, which will ultimately help efficiency in production.
- Locating to Georgia has minimized logistics and warehouse costs, considering that over 50% of their total retail stores are located in the USA.
- Local production has reduced lead-time and inventory carrying costs for overseas sourcing.
- Having the facilities closer to home enables a quicker time to market for products, which will ultimately lead to higher sales and decrease inventory costs.
- Reshoring enables Starbucks to protect its intellectual property, which is essential for competitive advantage.

Mr. Lovejoy indicated that the overall motivation for reshoring is “Creating new jobs –which supports a key company purpose: to be performance driven through the lens of humanity.”

With the Georgia facility in particular, Starbucks has been able to implement lean manufacturing and zero landfill recycling. In relation to the design and layout of the production floor, Starbucks has implemented “5 S” lean manufacturing practices and promotes continuous improvement. Starbucks has also been able to incorporate total productive maintenance (TPM), which helps to analyze the quality, effectiveness, and productivity with the manufacturing processes and workers.

# RESULTS:

The construction of the new plant, which had a price tag of \$172 million brought in new construction jobs to the area. After opening the new plant, Starbucks now employs over 140 people in this Georgia facility. Many of these positions went to veterans and individuals with disabilities. In addition to the new plant, Starbucks also invested \$200,000 in the local community, which reflects the commitment and core values of the company.

The new facility received a LEED gold status certification, a green building certification program that recognizes best-in-class building strategies and practices and demonstrates true sustainability implementation.

In Ohio, Starbucks’ reshoring effort helped to create 20 more jobs for skilled craftsmen. This reopening of a ceramics production line attracted very positive and valuable press coverage throughout the United States for several months.

# SOURCES:

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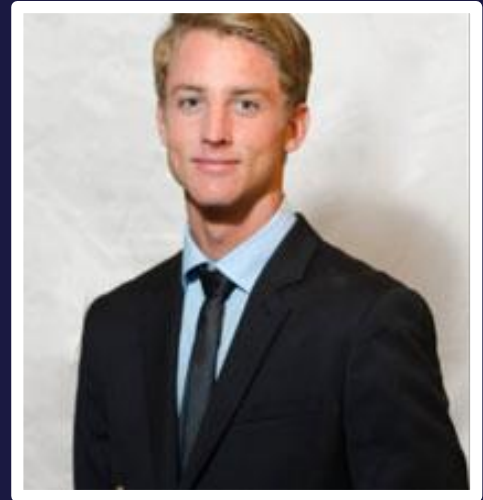
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# ABOUT THE AUTHOR

**Zachary Hines** is a Student Intern Researcher at the Reshoring Institute. He is currently pursuing a Bachelor of Business Administration degree with a minor in Supply Chain Management from the University of San Diego. During his junior year, Zack studied abroad in New Zealand, where he learned about their culture and discovered some of the most beautiful landscapes in the world.



# ABOUT THE RESHORING INSTITUTE

## Our Mission

In collaboration with the University of San Diego Supply Chain Management Institute, we provide information, research and support for companies trying to Reshore manufacturing. This includes topics such as site selection, tax incentives, science and math education, marketing, public relations, cost comparison development and case studies.

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