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INVENTORY MANAGEMENT PRACTICES OF A HOME-GROWN COFFEE BUSINESS: A ROADMAP FOR ATTAINING SUSTAINABLE COMPETITIVE ADVANTAGE

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ABSTRACT

Inventory management practices deal with the processes of maintaining, controlling, monitoring, and tracking inventory mobility from acquisition to final disposition to ensure the upkeep of optimum stock levels to meet production goals and customer demands. Since a business' inventory is a significant asset, adopting effective and efficient inventory management practices is imperative to ensure the sustainable operations of a firm. Sustainability is a core operating value of the business sector, including the coffee industry, to stabilize operations and boost inventory investment. This paper explores the effectiveness of the inventory management practices adopted by a homegrown coffee business in attaining a sustainable competitive advantage to ensure the company's viability. These concerns are crucial to enhance the entity's continuity, thereby justifying the conduct of this study.

KEYWORDS: Home grown coffee business, inventory management practices, roadmap, sustainable competitive advantage, viability

1. INTRODUCTION

Coffee is one of the five most important agricultural commodities in the world market (Taylor, 2005; Gabriele & Vanzetti, 2005; Ibrahim & Zailani, 2010). Coffee occupies an important place in the world economy, is widely consumed as the most prestigious beverage. Coffee ranks first among non-staple food and is rated as the fifth most important agricultural product in the world trade. The coffee industry is assumed to be worth US\$ 60 billion worldwide, which ultimately makes it the second most important commodity after oil (McEwan & Allgood, 2001; Kaplinsky, 2004), with around 125 million people depending on it as a significant source of their livelihood. The profitability and economic power of coffee as a global commodity have prodded many developing countries like the Philippines to upgrade and improve the coffee industry's performance, particularly in inventory management

practices, to enhance its competitive advantage in the global marketplace.

Ironically, the many Philippines operating in the coffee industry companies are experiencing unsustainable structural conditions due to high production costs, weak forecasting, incompetent management, irregular scheduling, and inadequate focus on processes and procedures. The concerns negatively affect the industry's productivity, leading to products that lack a competitive advantage in the international market.

Moreover, the inventory management practices implemented by the coffee firms in the country are deemed to be significantly ineffective because the framework that underpins the strategies used has not been well understood and properly implemented.

A homegrown coffee house chain in the Philippines that started its operations in 1996 is not spared from the challenges mentioned above. The firm has expanded to more than ninety (90) branches scattered throughout the Philippines from its humble beginnings. The firm is privately owned has to compete without any support from its partners or the government. In addition, the current inventory practices adhered to by the homegrown coffee house chain lack the provision to ensure that sufficient materials are on hand to permit production and supply of products to customers as quickly as possible and continuously. Effective inventory management practices hedge against imbalances in supply and demand and erratic tendencies in the production process.

Within this context, there is a need for the firm to revisit and assess its existing inventory management practices with the end view of coming up with a roadmap to sustain its competitive advantage in the marketplace by providing excellent service and products to its clientele and at the same time work towards optimizing investment in inventory.

These critical issues are addressed explicitly in this study.

2. LITERATURE REVIEW

2.1 The Global Coffee Industry

The coffee world has considerably changed in the last three decades. The occurrence of vibrant markets for differentiated coffee products such as organic, eco-friendly, and fair-trade coffees firmly consigns the coffee industry at the forefront in fostering creative strategies to help improve community development and trade among developing nations (Ponte, 2002).

The presence of differentiated coffee products provides opportunities in a challenging coffee economy

to many coffee-producing farmers. With the implementation of stringent standards as to control mechanisms, social and environmental parameters, inventory practices, and price structures, these schemes can reduce imperfections in the coffee world.

Coffee is one of the most lucrative products in the world trade. In fact, coffee is the second-largest traded commodity in the global market. Growing, processing, cultivating, and marketing coffee provides employment for millions of people around the world. It is also considered a significant commodity traded in the commodity exchange market, specifically in London and New York (Ibrahim & Zailani, 2010). Hence the importance of coffee in the world economy cannot be ignored (<http://www.ico.org> accessed in December 2018). Coffee is grown in more than 80 developing countries worldwide by about 25 million farmers in Latin America, Africa, and Asia, the majority of which are smallholders using less than 10 hectares of land (Gresser & Tickell, 2002).

Most of these small-scale farmers consider coffee as their principal means of livelihood. Since the 1960s, the coffee sector was governed through the International Coffee Agreement (ICA), which established a target price for coffee and allocated export quotas to each producing country. Ponte (2002) states that "although there were problems with this system, most analysts agreed that it successfully raised and stabilized coffee prices. However, in 1989, the ICA regime collapsed, and the power balance in the global coffee chain changed distinctly: on the one hand, the liberalization of agricultural markets in producing countries led to a decline in government intervention in the export and marketing processes; on the other hand, the end of the ICA triggered an increase "buyer-driven" of the coffee chain with international traders, retailers and most of all roasters emerging as the powerful agents in the chain.

This statement reflects the high firm concentration in the roasting industry: five roasters control around 45% of the worldwide roasted and instant coffee market (Gresser & Tickell, 2002).

The intensified concentration of power also affected the value-added and income distribution along the chain. While in the 1980s, the proportion retained in coffee-consuming countries fluctuated around 51%, and coffee growers received 20% of the total coffee income, this proportion altered to 78% versus 13% in favor of the consuming countries (Talbot, 1997). This is attributed to the fact that with the demise of the International Coffee Agreement (ICA), coffee trade terms have declined significantly. In contrast, worldwide production has increased substantially, resulting in a chronic situation of oversupply and a major "coffee crisis" at the beginning of the millennium. The unstable revenue situation for coffee farmers is further aggravated by high short-term price volatility. With the lack of strict regulation and/or the absence of enforcement mechanisms for the protection of public goods, these, for the most part, are systemic sustainability challenges that require concerted efforts

from various sectors to introduce changes within the industry and make coffee an excellent agro commodity product.

2.2. The Coffee Industry in the Philippines

Coffee was introduced in the Philippines in 1740 by a Spanish Franciscan monk in Lipa, Batangas, quickly catching neighboring towns' attention. Coffee training started in Batangas in 1860, catering to both the US and European markets. Coffee production expanded to Cavite in 1870, with the first tree planted in the town of Amadeo. By 1880, the Philippines became the fourth largest coffee exporter and even became the only source of beans when the coffee rush hit Brazil and Africa. But the heyday lasted only until 1889 when coffee rust and insect infestation hit the country.

The industry recovered in the 1950s when the Americans introduced more resistant coffee varieties. This was also the period when the first instant coffee was produced commercially, which resulted in an increased demand for coffee beans. With perceived stability in the demand side of the coffee market in the 1960s, farmers went back to coffee farming. However, the surge in coffee output coincided with global production, resulting in a supply glut. The Philippines imposed a ban on coffee imports just to protect the local producers.

Based on the 2013 figures of the International Coffee Organization (ICO), 145 million bags (@60 kg/bag) of coffee were produced by exporting countries valued at US\$ 21 billion. Around 34% of the total production came from Brazil, followed by Vietnam and Indonesia with 18% and 8% contributions. The Philippine coffee production accounted for less than one percent (1%) (www.ico.com accessed in December 2018). Coffee is grown in 60 countries along the equatorial zone called "The Bean Belt," located between latitudes 25 degrees north and 30 degrees south. Interestingly, the Philippines lies within the Bean Belt.

The country is a relatively small coffee producer with an output of less than one percent of global production. Based on 2012 data of the Bureau of Agricultural Statistics, the Philippines has 119,999 hectares of land devoted to coffee with an estimated 83.5 million fruit-bearing trees. The bulk of production is in Mindanao, with 64% of the total land area and 69% of the complete fruit-bearing trees. SOCKSARGEN has the most significant coffee farm area with 25,223 hectares, Davao Region with 25,166 hectares, ARMM with 13,746 hectares, CALABARZON with 13,563 hectares, and Northern Mindanao with 11,837 hectares (www.bsa.gov.ph accessed in December 2018).

In terms of production, an average of 93,173 MT of dried berries were produced from 2008-2012, of which Robusta contributed 71.7%, followed by Arabica with 20.7%. In 2012, total production increased by 0.47% from the 2011 figures; however, this did not compensate for the 6% decrease in



production from 2010 to 2011. The top-producing regions were SOCCKSARGEN accounting for 31% of the total output in 2012, Davao Region with 21%, ARMM with 12%, CALABARZON with 10%, and Western Visayas with 6% (www.bas.gov.ph, accessed in December 2018).

The Philippines used to be the top coffee producer and exporter in Asia, but declining yields and conversion of coffee plantations to other export crops resulted in coffee importation since 1997.

To address this concern, President Duterte signed the Philippine Coffee Industry Roadmap 2017-2022 on March 7, 2017, to boost the country's domestic coffee output in the next five years – a massive lift for coffee farmers, producers, and traders. The roadmap is designed to guarantee a cost-competitive coffee industry, aligned with global – quality standards, reliable and environment – friendly, that will provide sustainable benefits to farmers, processors, traders, and exporters leading to the attainment of food security and poverty alleviation (www.philcoffeeboard.com.ph accessed in December 2018).

The Philippines is one of the few countries that produce the four varieties of commercially-viable coffee: Arabica, Liberica (Barako), Excelsa, and Robusta.

Climatic and soil conditions in the Philippines – from the lowland to mountain regions – make the country suitable for all four varieties. With the implementation of the Philippine Coffee Roadmap as a guide, the government is expected to raise coffee production to 214,626 metric tons by 2022 (www.dti.gov.ph accessed in December 2018). This will bring the country's coffee self-sufficiency level to 161 percent from the current 41.6 percent. While there is more work ahead for the coffee industry in the Philippines, there is palpable confidence among various coffee stakeholders that the country will be able to develop enabling mechanisms to empower coffee farmers/growers and help improve the coffee industry.

2.3. Inventory Management Practices

In recent years, there has been an increasing awareness of the importance of adopting effective inventory management practices. The success of products and services in today's coffee business depends on the supply chain capabilities of the firm. An effective inventory management system is required to maintain a sustainable competitive advantage and stay ahead of competition among these capabilities. Adopting effective inventory management practices is one of the most feasible strategies to improve coffee supply and bring better quality coffee to customers. Sustainable inventory management is a relatively new initiative for the coffee industry, but it provides a valuable insight into sales and how the business is performing.

Inventory management plays a decisive role in enhancing the efficiency and competitiveness of



business enterprises. To increase profitability, companies have to focus on the driving forces which generate sales. However, if there is no proper inventory management in place, there is a possibility of not catering to the consumers' demand. Such occurrences usually lead to customer dissatisfaction, which may lead to a loss in market share, where consequently, existing customers might opt to go for a competitor's service product.

Effective inventory management practices entail holding an appropriate quantity of inventory to ensure that manufacturing goals and customer demands are met all the time (Ohaka & Idoniboye, 2010).

Too much inventory consumes physical space, creates a financial burden, and increases the possibility of damage, spoilage, and loss. On the other hand, too little inventory often disrupts business operations and increases the likelihood of poor customer service. There is an increased need for business organizations to embrace effective inventory management practices as a strategy to improve their competitiveness (Ondari & Muturi, 2016).

Inventory management can be a powerful tool in the coffee industry to help aid in the manufacturing processes of growing coffee beans, manufacturing the bean, and by-products. With technological advances, there is an excellent opportunity to shape the coffee industry more environmentally friendly by keeping tabs on all aspects of the manufacturing process. Effective inventory management practices can help turn what can be conveyed as a complex web of processes into a centralized system with many benefits. The economics of coffee production has changed in recent years, with prices on the international market declining and the cost of inputs increasing. At the same time, the demand for specialty coffee is at an all-time high. To make coffee production sustainable, attention should be paid to improving the quality of coffee by engaging in sustainable inventory management practices, which ultimately can claim higher net returns. Effective inventory management practices depend on the development of efficient planning, control techniques, and proper implementation and administration. Inventory management practices need to be comprehensive in scope because they comprise the policies and procedures by which organizations systematically regulate the range of items held in stocks, the quantities of goods in stock, and their replenishment as needed. The inventory provides an essential link in the production, sale of products and constitutes a large proportion of the cost of production (Ohaka & Idoniboye, 2010).

Companies like coffee shops need to establish or adopt an adequate standard for controlling and managing inventory to reduce costs and be competitive. This will serve as the basis by which the firms systematically regulate the range of items held in stocks, the quantities of goods in stock, and their replenishment as needed. Since inventory represents an investment of financial resources, an effective

system of maintaining established stock levels to make profitable use of productive resources must be implemented in storage, ordering, and processing. This means that the inventory-related processes must be attuned to retaining stocks at appropriate levels, safeguarding supplies against loss, and ensuring that stocks are properly used and accounted for. Effective inventory management aims to meet or exceed customers' expectations of product availability with the amount of each item that will maximize an organization's net worth or minimize total inventory investment. The goal is challenging, if not impossible, to attain without a comprehensive inventory management system. An inventory management framework should guide policymakers/owners in making critical decisions necessary for success. Moreover, the system must monitor the business' progress in achieving the goal of effective inventory management by measuring customers' satisfaction, stock availability, profits, operating costs, and expenses (Ibrahim & Zailani, 2010). Implementing effective inventory practices can impact the enterprise's upstream sustainability (Beske et al., 2016) and its downstream customer satisfaction (Ageron et al., 2012).

2.4 Sustainable Competitive Advantage

A competitive advantage makes an entity's goods or services superior to all of a customer's other choices. A firm's relative position within its industry determines whether its profitability is above or below the industry average. The fundamental basis of above-average profitability, in the long run, is a sustainable competitive advantage. Positioning the company for a sustainable competitive advantage by utilizing the firm's strengths to exploit opportunities and neutralize threats while avoiding or fixing weaknesses has long served as the core framework for formulating the firm's strategy (Porter, 1985). At the core of the field of business strategy is the notion of sustainable competitive advantage (Porter, 1985). The leading approach to sustainability among strategy researchers is to identify hard-to-imitate resources that underlie a firm's competitive advantage (Dierickx & Cool, 1989; Barney, 1991). Examples of resource-based advantages include a firm with lower costs than competitors due to a proprietary production process or a firm that generates superior willingness-to-pay due to an advanced product design. Competitive advantage is sustainable to the extent that it persists over time, with the strategy literature particularly concerned with the threat of competitors neutralizing an advantage through imitation of the underlying resources.

In most industries, the coffee sector, for instance, some firms are more profitable than others, regardless of whether the industry's average profitability is high or low. The superior performers conceivably possess something unique and hard to imitate to outperform their rivals. These exceptional skills and assets (resources) are referred to as sources of competitive advantage in the strategy literature. "Competitive advantage can result either from implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors (Barney, McWilliams & Turk, 1989; Barney, 1991) and when these other firms are unable to duplicate the

benefits of this strategy or through superior execution of the same strategy as competitors.

Sustainability is achieved when the advantage resists erosion by competitor behavior (Porter, 1985). In other words, the skills and resources underlying a business's competitive advantage must resist duplication by other firms (Barney, 1991). In other words, it is the continuity of benefits and application of unique value creation strategies asynchronously with potential competitors that cannot copy such benefits. It is a dynamic continuum and can best be perceived as an ongoing process rather than a static achievement.

Sustainable competitive advantage is related to the firm's efforts in establishing. Coyne (1986) contributed to the construct by proposing that to possess a sustainable competitive advantage, and consumers must perceive some difference between a firm's product offering and the competitors' offering. This difference must be due to the firm's resource capability, and competitors do not possess. Also, this difference must be some product or delivery attribute that is a positive key buying criterion for the market (Coyne 1986). The key is to predict the actions of others in the industry over time; by matching the firm's resources to the gaps and voids that exist in the industry, a competitive advantage can be created. This advantage is sustained if competitors either cannot or will not take action to close the gap (Coyne, 1986).

Sustainable competitive advantage is related to the firm's efforts in establishing and maintaining advantages for a long-term period. Sustainable competitive advantage is affected by three factors: the size of the target market, greater access to resources and customers, and restrictions on the powers of the competitors. Usually, a firm can create a sustainable competitive advantage whose managers apply its strategy based on characteristics that cannot be easily copied (Coyne, 1986).

The coffee house under study sets out to become an industry leader by adopting an inventory management system to lead to sustainable competitive advantage. The strategy is anchored on the basic tenet of cost leadership whereby the firm pursues economies of scale, preferential access to raw materials, and effective monitoring of inventory practices to ensure that the company will find and exploit all sources of cost advantage.

3. PROBLEM DESCRIPTION

Inventory management plays a decisive role in enhancing the efficiency and competitiveness of business enterprises. The process entails holding an appropriate quantity of inventory to meet or exceed customers' expectations of product availability that will maximize the organization's financial performance and minimize total inventory investment. This study was conducted to address the following concerns: (1) How effective are the inventory management practices adopted by a

homegrown coffee house; (2) what are the challenges confronting the coffee house's inventory management practices; and (3) what possible recommendations can be advanced to help the homegrown coffee house improve its inventory management practices leading to the attainment of sustainable competitive advantage.

4. RESEARCH METHODOLOGY

4.1 Research Design

Due to the nature of the research, the qualitative method, specifically the case study, was utilized to examine the opinions of the supply chain professionals and inventory management personnel among the different branches of the homegrown coffee house. They all have a good grasp of the research topic that will help ensure the accuracy and reliability of their responses. It helps to provide an in-depth investigation on the effectiveness of the inventory management practices of the firm and the challenges it is confronted with to come up with viable recommendations to attain sustainable competitive advantage, which quantitative questions cannot access and evaluate precisely (Yin, 1994). The empirical inquiry about the contemporary phenomenon, which in this study involves the effectiveness of the current inventory management practices of the homegrown coffee house and the challenges it is confronted with set within its real-world context, makes the case study method the most appropriate for this undertaking.

The study draws on qualitative case interviews conducted across the dyadic interface between the two groups of respondents.

It was decided to use qualitative methods for collecting data for the reason that if inventory management practices and their accompanying challenges are to be studied in-depth, it was believed that the most appropriate approach was one that emphasizes detail and insight as well as understanding and explanation (Patton, 2002; Sayre, 2001).

In-depth interviews and focused group discussions were conducted among the one hundred twenty-five respondents (125) to allow for increased generalizability and, to some extent, reliability through repetition (Miles & Huberman, 1994; Yin, 1994).

Semi-structured personal interviews and focus group discussions that allowed respondents' thoughts, opinions, attitudes, and motivational ideas were used. Questions were kept deliberately broad to allow the interviewees as much freedom in their answers as possible (Glasser and Strauss, 1967). All interviews were first taped to increase the accuracy of data presentation (Patton, 2002) and later transcribed to allow for a detailed analysis.

4.2 Research Sampling

To fit with the research design, purposive sampling was used to identify the key informants of the study. The research sample comprised one hundred twenty-five employees of the local homegrown coffee house assigned to the different branches. Since the survey combines issues related to the effectiveness of the existing inventory management practices of the firm and its accompanying challenges, the most appropriate respondents are the supply chain, purchasing, and operations staff assigned in the different branches of the firm.

All the respondents are regular employees who have been working with the firm for the past three years. Purposive sampling was used in selecting the key informants for this undertaking. Twenty-five of the respondents are assigned to the supply chain department, and the one hundred staff came from the operations unit (including purchasing department) deployed in the different branches of the homegrown coffee house. These key informants were chosen since they were deemed knowledgeable on the existing inventory management practices adopted by the homegrown coffee house and its challenges concerning the said practices.

5. RESULTS AND DISCUSSION

5.1 Effectiveness of Inventory Management Practices

Inventory management is a crucial aspect of management since inventory is one of the significant financial assets of a business that can indirectly affect profitability. Rajeev (2008) claimed that firms with good inventory management could increase the firms' overall profit, resulting in an increased level of working capital, production, and customer satisfaction. The roles and functions of inventory management should be assessed by linking the firm's goal to the inventory requirement. Heizer and Render (2014) argued that the task of inventory management is to transform broad and general business objectives into operational actions in day-to-day inventory control and aims to strike a balance between inventory investment and customer service.

Based on the respondents' answers, it was found out that there were certain inventory management practices adopted by the homegrown coffee house, which were viewed to be moderately effective to wit: 1) sourcing of raw materials, 2) storage, and 3) inventory control. According to the respondents, although the firm has a list of valid and reliable coffee beans, the quality of the beans provided by some of their suppliers was not at par with the standards set by the company. The common practice adhered to by the homegrown coffee house is to evaluate its suppliers based on price, purchase quantity, and reliability.

Ironically, the quality component has not been given much attention. This has been going on for

several years, resulting in wastage and increased costs. However, the management decided to continue dealing with the aberrant suppliers as it is the mission of the firm to help small-scale coffee farmers improve the quality of their lives. Accordingly, the respondents found this mandate laudable. However, some of the suppliers have been abusing, which led to significant financial losses on the coffee house due to the inferior quality of coffee beans which ultimately affected the freshness and taste of the coffee (interviews conducted from March to April 2018). Stevenson (2007) notes that the ability to satisfy customers depends on the quality of materials to manufacture goods and provide services; these materials are part of the inventory. Therefore, the homegrown coffee house must ensure the quality of materials procured for production to contribute to customer satisfaction by meeting their needs as and when they arise.

Another inventory management practice that was deemed moderately effective was the storage space allocated for all the materials required in the production process. The respondents assigned to this function shared that due to the increasing demand for the coffee house's products compared to other players in the market, the number of inventories they have been maintaining has steadily increased to ensure product and service reliability. The amount of stock held dictates the space requirement in the firm.

Ironically, the storage facilities maintained by the coffee house are not built to accommodate the sudden surge in the number of stocks to cater to increasing sales (Interview and focus group discussion results conducted last March and April 2018). The shelf space for the storage of inventories was used up and became a limiting resource, leading to inefficient utilization of inventory.

The problem was compounded with the improper labeling of materials due to overstocking, thus making the retrieval of inventories more complex, leading to the growing incidence of material spoilage, pilferage, and loss. According to Gill et al. (2010), excess inventory is an operational liability, as it uses valuable storage space and increases inventory costs.

Maintenance of inventory control procedures was another salient inventory management practice that most respondents considered moderately effective (interview and focus group discussion results done from November to December 2018). Inventory control is the process adopted by the homegrown coffee house to maximize its use of its inventory. This process aims to generate the maximum profit from the least amount of inventory investment without in any way intruding upon the customer satisfaction levels.

The current inventory control procedures adopted by the firm fail to monitor and maintain established stock levels with a view of making profitable use of productive resources for which it must be spent

in terms of storage and order. The stock levels maintained by the coffee house cannot predict with certainty on the appropriate stock levels to keep as the persons in charge prefer to do it daily, as the need arises scheme. In view of these inherent control weaknesses, safeguarding stocks against losses and ensuring that materials are properly used and accounted for is not done precisely, which ultimately affects the firm's financial performance. According to the respondents, there were certain instances when production stoppages occurred due to the non-availability of production materials.

This is one aspect of the inventory management framework of the coffee house that needs to be revisited and overhauled to ensure that the suitable goods in the right conditions at the right time in the right place can be achieved (Interview and focus group discussion results conducted in November 2018). Inventory control systems enable the coffee house to determine and maintain an optimum level of investment in inventory to achieve the required operational performance.

The respondents opined that effective inventory management practices provide valuable prospects for the coffee house to attain sustainable competitive advantage and increase the company's competitive position in the industry. Adopting effective inventory management entails reducing the costs of holding stocks by keeping sufficient inventories in the right place and at the right time (interview results conducted in December 2018).

Naliaka and Namusonge (2015) reiterated that inventory management affects the competitive advantage of manufacturing firms. Li et al. (2006) noted that competitive advantage comprises capabilities that allow an organization to differentiate itself from its competitors and result from critical management decisions.

5.2 Challenges Confronting the Home-Grown Coffee House

The coffee shop industry in the Philippines includes more than 20,000 stores with combined annual revenue of more than one hundred million pesos in a year (www.dti.gov.ph). The coffee industry is exciting and offers many challenges as it has become increasingly competitive, demanding efficiency in all areas of operations for success. Determining the inventory management inhibiting factors that adversely affect the coffee house's performance would serve as a springboard for the firm to revisit and improve its existing practices.

The quality of raw materials is a significant challenge for the homegrown coffee house. The raw materials used by the firm were generally provided by small-scale farmers who did not bother to subject their outputs with proper labeling and quality control mechanisms. The coffee house conducts coffee quality testing whenever new deliveries are made to mitigate this problem. Around 10% of the delivered inventory has low grade and fail to pass the quality test due to fungi or soil contamination.

Coffee beans, which constitute the bulk of the homegrown coffee house's inventory, are constrained by the expiration time. Since coffee beans are natural materials, they have to be stored under special conditions with the correct temperature to maintain their freshness for a specific period of time. At present, the storage facilities of the coffee house cannot accommodate the number of stocks it is maintaining as demand is steadily increasing. Hence, the incidence of spoilage and wastage is increasing, which has a detrimental impact on the business's overall financial performance (interview results conducted in November 2018).

The second inhibiting factor experienced by the coffee house is the unstable price of the coffee beans. Price fluctuation for coffee beans is a multi-faceted problem attributed to various factors that can have negative consequences for the most vulnerable firm, which is the homegrown coffee house. Unstable price for coffee beans refers to the rise and fall of the commodity prices in the market due to changes in the market situations brought about by variations in supply and demand (interview and focus group discussion results conducted in November and December 2018).

Although high prices for the coffee beans can be good news for the coffee farmers, it can be highly detrimental to the other players in the coffee supply chain, including the homegrown coffee house. One frequently cited reason for the increase in the prices of coffee beans is the interplay of the market fundamentals, meaning demand is higher than the supply. Once this happens, the homegrown coffee house is forced to bid for higher prices so that the business can be assured of a steady supply of coffee beans. The downside of this phenomenon is that the company cannot increase its price anytime due to stiff competition from the other players in the industry. Hence, they operate at a loss which is not a sound operating mandate to follow, but the company has no choice if they wish to maintain its leadership in the retail coffee business (Results from the interview and focus group discussion done in November and December 2018).

The last limiting factor identified by the respondents to have an adverse impact on the inventory management practices of the homegrown coffee house was conducting demand forecasting. The coffee industry is characterized by risk and uncertainty, and most business decisions are taken under this scenario. Predicting future demand for the company's products helps the organization decide the planning and scheduling of production so that the required inputs are procured accordingly. Unfortunately, the homegrown coffee house's forecasting is based on the rule of thumb practice instead of systematically predicting demand. This, to a great extent, has negatively affected the maintenance of adequate inventory leading to costly financial decisions (Interview and focus group discussion results undertaken in November and December 2018).

The respondents averred a need for the homegrown coffee business to finetune the demand

forecasting, considering that the firm involves large-scale production. It requires a long gestation period. Hence a good deal of planning should be done.

This way, potential future demand can be estimated to avoid conditions of overproduction and underproduction.

6. CONCLUSION

This paper brings to light empirical justification for adopting effective inventory management practices from the perspective of the homegrown coffee house. The data derived from the respondents' answers gathered through interviews and focus group discussions supported and indicated the significant impact of implementing effective inventory management practices in attaining sustainable competitive advantage for the firm and ensuring feasible organizational performance. Generally, the study's findings implied that certain aspects of the inventory management system of the firm needed to be revisited and reviewed as these impeded the firm from outperforming its competitors and sustaining its competitive position. These deficient inventory practices led to flawed decisions, increased costs, and inferior performance. Hence to overcome these concerns, the proponents came up with specific recommendations to address these issues. The study clearly showed how the quality of inventory management practices impacted attaining competitive advantage, which ultimately affects overall organizational performance.

7. RECOMMENDATIONS

Homegrown specialty coffee shops in the Philippines present a mix of challenges and opportunities, particularly in addressing the apparent constraints between demand and supply. The proper configuration of these concerns can be dealt with by adopting reasonable and feasible inventory management practices. Inventory management is a critical function in business operations, primarily meeting customers' demands (Baron et al., 2010). The ultimate objective of inventory management is to turn over inventory as quickly as possible without losing sales (Gitmann & Zutter, 2012). This paper brought to light the quality of inventory management practices adopted by a homegrown coffee house in the Philippines and the constraints it is experiencing concerning inventory management. In this context, the following recommendations are proposed to improve the company's inventory management regarding production lead times, forecasting, and producing quality outputs.

1. Provide training to all personnel to equip them with the necessary competencies in quality inventory management techniques.
2. Nurture a culture of effective practices in inventory management.
3. Periodic revisit and review of all existing inventory management practices to ensure relevance to current market trends.

4. Benchmark best practices in managing inventories among other companies in the industry.

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