

# The three pillars of the sustainability concept marketing essay



The environmental revolution has changed how companies do business and the sustainable business concepts and practises have become a prerequisite for success. Today, many companies have accepted their responsibility to do minimal or no harm to the environment (Stuart, 1997). The world and businesses today are facing some of the big challenges such as poverty, malnutrition, climate change, water scarcity, pollution, safety, hygiene, greenhouse effect and others. As the world adjusts to using fewer resources, the ability to contribute to the creation of a more sustainable global economy comes with an obligation to act.

The objective of the report is to develop an implementation plan for a sustainable coffee business, the New Town Black Coffee (NTBC) which operates under the initiative of a Jakarta based green investment group (JIG). The group is part of new socially responsible coffee growing consortium which has prepared to invest RM 20 million into the sustainable coffee business.

NTBC is committed to being a deeply responsible company that preserves viability where it does business around the world. The business organisation is maintained with no negative impact on environment, community, society and economy. The company strives to meet the triple bottom line - people, planet, and profit. NTBC wants to be a profitable, responsible and sustainable business that is in line with the company values while meeting the expectation of customers, employees, society, shareholders, and all other stakeholders.

Passionate and show pride about ethically sourcing, roasting, selling and improving the lives of the people who grow them

## **Strive for Sustainability**

Strive for sustainable approaches and practises in every aspect of the business

## **Accountable**

Accountable for own actions and results, as well as the environment and the world

## **Act with Integrity and Show Respect**

Show respect and commit to integrity for all individuals and all aspects of work

## **Vision**

The company's vision sets out the long term idea and direction for the company:

Be the leading and most trusted fair trade coffee retailer in Southeast Asia region

Produce and sell coffee products of the good and consistent quality

Maximize the use of fair trade commodities and eco friendly materials

## **Mission**

The company exists to

Provide technical and professional education to coffee growers to increase productivity while ensuring sustainability

Improve the life of coffee producers, their families and communities

Promote a sustainable social, ecological, and economic approach for the production and trade of coffee

Pursue technological breakthroughs in sustainable coffee growing techniques and knowledge

Inspire people that small actions everyday can add up to a big difference for the world

Develop new ways of doing business while leaving minimal environmental footprints

## **Indonesian Coffee Industry Overview**

Coffee is one of the most widely traded agricultural commodities in the world. Indonesia is currently the fourth largest coffee producer in the world with Robusta beans constituting 85% of its coffee production (Yusoff, 2005). There are about 1.3 million hectares of coffee plantations in Indonesia where most of the production is in Sumatra (Ekawati, 2009).

However, the coffee industry in Indonesia is suffering from low productivity due to aging trees, climate change, under-capitalized farmers, lack of fertilizer usage and several other reasons. Also, the farmers have been hit by the drop in coffee prices due to economic downturn, where the price of a kilogram of Robusta beans in the London market has dropped from \$2.20

last year to \$1.40 now (Ekawati, 2009). The livelihoods of farmers and labourers have been devastated by the collapse in international prices.

## **New Town Black Coffee**

### **Operations**

#### **Supply Chain Management**

##### **Sourcing and Purchasing:**

NTBC purchases its coffee from two different sources:

Fair Trade Coffee Cooperatives or organisations

Direct purchase from Farmers

NTBC purchases only free trade coffee from free trade coffee cooperatives or organisations as its major sustainability practise. This is to assure that coffee growers will not be underpaid for their products.

NTBC also allows farmers to bring their coffee beans directly to the manufacturing plant and the company offers a fair price depending on the quality of the beans. This ensures regular supplies of guaranteed quality. Higher quality commands a higher price – a premium that NTBC is happy to pay, since good quality raw materials are essential to the business. There will be a widely announced NTBC price, and a minimum base price. By providing a reference level for growers, other traders are forced to keep their offer prices competitive.

## **NTBC Manufacturing Plant:**

The factory is a one stop centre to process coffee from green beans to roasted beans which includes washing, drying, hulling, sorting, grading, blending, roasting, and packaging. The factory is setup in Sumatra, Indonesia because it is near to the coffee plantations in order to minimize the shipping and logistics.

## **Logistics**

After the processing, the beans are then shipped to the main distribution centre in each country. The distribution centre is responsible for delivering the beans to the local NTBC outlets and local markets.

## **NTBC outlets and Local Markets**

NTBC outlets provide freshly brewed NTBC coffee drinks to the customers and sell bagged coffee beans. Local markets also sell packaged coffee beans for coffee drinkers who prefer to brew the coffee by themselves.

## **Human Resource Management**

### **HR Philosophy**

Employees are the most important asset to the company as they shape the company's future. NTBC believes that Human Resources are the key to the success and sustainability of the organisation.

### **HR Policies**

### **Health and Safety**

Employees are the very lifeblood of the company. No work-related injury or death is acceptable. Having healthy employees benefit the business. A

healthy workforce is essential if the company is to carry out its work, and it's the company's basic ethical duty to protect employees from circumstances that could harm their health.

## **Professional Development**

NTBC encourages employee empowerment, growth and professional development of individuals by realizing their potential, providing career path, recognising and rewarding individual and team achievement.

## **Work/Life Balance**

Work life balance is the best benefit to provide to the employees. Striking a balance between work and life, performance, accountability and commitment go up and negative attitudes, stress and turnover go down.

## **Attracting, Hiring, Motivating and Retaining**

NTBC wants to attract like-minded individuals who have the similar values and passions on sustainability and the environment. The company hires individuals with qualities such as pro-environmental behaviour, altruistic, ethical, motivated by intrinsic values, respectful and committed to work. The company offers opportunities to contribute to the sustainability of the coffee industry during daily jobs and activities. To motivate and retain the employees, NTBC provides job and workplace satisfaction through sponsored charity events within the domain, flexible working schedule, training and job rotation, encouraging innovation ideas and career growth path.

## **Organisational Culture**

Organisational culture comes from the philosophy and values of the organisation. The company is a society and community focused business emphasizing on open communication, problem solving, learning from mistakes, fostering collaboration and happiness, equal opportunity and fair treatment.

## **Markets and Marketing**

### **Philosophy**

The marketing philosophy of NTBC is to promote the sustainable coffee culture to as many people as possible.

### **People**

NTBC wants to sell coffee to the people who care about the sustainability and the environment and also to educate people with its sustainability concept.

### **Price**

Unlike other premium coffee outlets, NTBC will charge a reasonable price that is affordable price by majority people. The concept is to sell by high volume in order to reach more people.

### **Product**

Only sustainable materials will be used in NTBC coffee products such as straws, cups, trays, stirrers and others. NTBC aims to create zero plastic waste.



## **Promotion**

Promotion will be through social media such as Facebook and Twitter, word of mouth, paper media such as magazine and newspaper, electronic media like TV, Radio, and the Internet in order to reach as many people as possible. The focus of the promotion will not only be on the coffee products but also the sustainable coffee concept. Also, all coffee products will be labelled with fair trade label. Research has shown that fair-trade labelled products are by far the most preferred, followed by social label products and eco- and bio-labels (Pelsmacker, 2004).

## **Place**

The business development of NTBC is divided into two stages:

Stage 1: The first stage of the development plan involves only Indonesia due to its strategic location which is near to the coffee plantations. The initial investment of JIG will be used to setup a manufacturing plant at Sumatra, Indonesia and coffee outlets in all cities in Indonesia. The opening of coffee outlets will be initiated in Jakarta as it is the largest city and the capital of Indonesia. A flagship shop will be first opened in Jakarta to promote the idea and the values of the business to the public. Expansion to the other cities will be executed at a later stage once the business in Jakarta is stable to ensure a sustainable business expansion plan. The first stage of the plan is expected to run for 3 years.

Stage 2: The second stage of the development plan involves expansion to neighbouring countries in Southeast Asia such as Malaysia, Thailand, Philippines, Cambodia, Vietnam, Laos and Singapore. Countries with higher

currency rate such as Singapore, Malaysia, and Thailand will be prioritised due to stronger economy and financial stability. Business development in certain countries will be in franchise model or joint venture (JV) model. This business model has been proved to be successful. For example, Starbucks Malaysia is jointly owned by Starbucks Coffee International and Berjaya Corporation Berhad (Starbucks Website, 2010). The advantage of using this model is that more customers and locations can be reached and more shops can be opened with minimal capital investment from NTBC. The selected franchisees and JV partners must be like-minded individuals or organisations and have similar vision and values with NTBC in running the sustainable coffee business.

## **Sustainable consumption**

Lazer (1969) brought up the idea that business can achieve social responsibilities yet can remain being profitable. Consumption is unavoidable and it is good for the economy. It is not about consuming less, but it's about consuming differently, efficiently, and with an improved quality of life.

Responsible consumption improves the economy and GDP, ensures business sustainability and employment, and enhances one's lifestyle and social status. Profit maximization is compatible with social responsibility if profits generated are allocated responsibly (El-Ansary, 1974).

NTBC supports sustainable consumption by embedding sustainability practises in the entire business environment such as sustainable sourcing, waste reduction, recycling, educating and influencing customers, and producing social and eco-friendly products. It is now the new trend in the

business world for organizations to remain profitable, to follow government related policies on social issues, and to meet consumer social needs.

## **Organisation Design**

### **Organisational Structure**

The initial planning for the organisational structure is to keep the structure as flat as possible. The optimal hierarchy would be 5 - 6 levels to have a short chain of command and a wide span of control. The control of the organisation will be a mixed of system control and process relational control, depending on the function, level, situation of the business. Every employee will be given maximum authorities in the job in order to execute the duties effectively and efficiently. Successful institutions usually give people permission to select tasks and goals that they care about (Magretta, 1997). For example, the coffee purchaser will be given full authority to set the direct purchase price to buy coffee beans from the farmers. The people who have been working on sustainability have been doing an incredible job because they care intensely about it, organize themselves to do it, and want to get it done (Magretta, 1997).

### **Strategy & Planning**

The division is responsible for the strategic planning and direction for the company including penetration into different countries, corporate planning, public relation, financial infrastructure, and other strategic issues.

## **Corporate Services**

The division is responsible for human resource management, accounting and finance, information technology, product development, and all other internal issues.

## **Operations**

The operation team is involved in the business as usual activities for the company including procurement, logistics, coffee processing, supply chain management, store operations, and all other operational issues.

## **Business Development**

The business development team is responsible for the sales, marketing, customer relationship, store openings to maximise business opportunities for the company

## **Corporate Responsibility**

The CR division is the fundamental of the business as it determines how the sustainability values of the company are imposed into every part of the organisation. It also decides the CR activities such as helping the farmers, working with government to provide new seeds and fertilizer to the farmers, community work, developing and improving the CR policies and directions for the company.

The coffee outlet team will be flat and organic structure as well. There will be a store manager in every store directly managing the supervisors and baristas. A decentralized working environment is desired in the store as it is the place where most customer contacts happen. Every employee in the

store will be given the most flexibility for managing the customer with the quickest response.

## **Corporate Responsibility & Innovation**

### **Protecting the Environment**

The activities of the coffee business impact the environment through the operations of manufacturing plant, coffee outlets, and customers. NTBC aims to become a carbon neutral business. Direct impacts on the environment are managed by operating as efficiently as possible and integrating environmental measures throughout all operating functions. The company has targets for energy use, water use, waste and carbon dioxide. For example, the manufacturing plant will be built with facilities that create minimal CO2 emission, use minimal energy, and create minimal waste and impact to the environment.

### **Helping and Supporting Coffee Producing Communities**

NTBC initiates and supports social development projects that help the communities that produce coffee in Indonesia. 10% to 15% of the yearly earnings will be allocated to fund these social projects such as improving access to education and agricultural training, improving production and productivity, and increasing levels of health, nutrition and water sanitation.

### **Sustainable Innovation**

Innovation process, to be effective, must be sustainable. Complying with sustainability is an opportunity, instead of a cost to the organization.

Sustainability is the most important element of organisational and technological innovations that yield both bottom-line and top-line returns

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(Nidumolu, 2009). Designing sustainable products and services lower costs because companies end up reducing inputs they use (Nidumolu, 2009). In addition, it enables business to generate more revenues from better products.

## **Business Policy and Strategy**

NTBC uses a hybrid of lower price and differentiation strategies. A hybrid strategy seeks simultaneously to achieve differentiation and a price lower than that of competitors (Johnson, 2005 P. 248). NTBC wants to provide good quality and value for money coffee to customers but because the fair trade price paid to purchase coffee beans is higher, NTBC is unable to charge the lowest price in the industry. Thus, NTBC has to differentiate itself to charge slightly higher prices by promoting the sustainability coffee business concept to the customers. NTBC aims to achieve sustainability competitive advantage in such a way that it can be preserved over time.

## **Finance**

All financing decisions, investments, and risk management must be embedded with sustainability approach. The environmental sustainability, social responsibility and corporate governance must be considered into the investment analysis. For example, the R&D investment must comply with the company's sustainability policy before funding is approved.

JIG will be investing RM 20 million into the company. RM 10 million will be invested into setting up the manufacturing plant and headquarter office in Sumatra. Opening a coffee outlet is estimated to require RM 200, 000. Thus, opening 10 to 20 outlets for the first stage in Indonesia is estimated to

require RM 2mil to RM 4mil. The remaining fund will be used to finance the daily functions and operations.

The company will avoid taking loans from the financial institutions unless it is necessary. New store opening will be funded and financed by retained earnings from company. If loan financing is needed, only financial institutions with substantial corporate responsibility effort will be considered such as HSBC, Standard Chartered Bank and others.

## **Conclusion**

The report has shown that the sustainable coffee business concept is viable. Embedding sustainability into business practise has become the latest trend in the business world nowadays. Most large multinational companies have already incorporated sustainability into their daily business activities and corporate responsibility. Efforts to create more sustainable practices contribute to the continuous improvement capabilities of a business (Sharma and Vredenburg, 1998). Therefore, developing a sustainable business will entail substantial collaboration and investment by all value-chain stakeholders (Bhaskaran, 2006). In this context, the expansion of NTBC should not be limited to Southeast Asia but also every other part of the world so that more people will be benefited from the business model.

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## **Bibliography**

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