

Analysis of starbucks' model of sustainability



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Starbucks is a chain of American Coffee shops that operates globally. Founded in Seattle in 1971, the organization has expanded its operations globally, and operates more than 30,000 coffee shops today. One of the distinct features about Starbucks is that it operates a significant portion of its outlets, with 9,000 stores being company operated and owned, while the remaining are franchised. The company has a long-term dedication to sustainability, spending extensive amounts on promoting sustainability in all their operations. From promoting ethical coffee purchases to sustainable giving of food, the company has dedicated much of its profit towards promoting these initiatives, with their main philosophy being that running a large company is not all about making profit but also about doing the right thing. Its focus on sustainability has challenged multiple other organizations to follow the company's strategy, since they have realized that sustainability is not only good for the planet, but is also good business. The company will reportedly save \$50 million on utilities over 10 years after turning 10,000 stores to depend fully on renewable energy, a part of the company's strategy, showing that sustainability is not only an expense but can also be financially beneficial (Rochman).

Question #2

Starbucks operates primarily in the North American and European markets, despite having stores all over the world. The company's largest market share is the United States. As part of their market leadership strategy Starbucks has purchased many coffee outlets throughout the nation. The American market is the greatest consumer of coffee, with a majority of the world's coffee exports going to the nation. The company primarily focuses on selling

coffee and other snacks in its coffee shops and in retail outlets, and rarely acquires companies outside this industry. Concentration on the industry has enabled Starbucks to become the largest coffee retailer globally. Since it opened its first store outside North America in Tokyo, the company has expanded into a variety of nations throughout Europe and the rest of the world. Currently, the company focuses on expanding into the Chinese market, which is a potentially large market with the population of around 1.2 billion people (Anzilotti).

Question #3

The global coffee industry is huge, with hundreds of millions of metric tons of coffee being produced annually. Coffee is a highly demanded drink primarily in American market, being the beverage of choice for most Americans. Despite the high costs of lattes, mochas and other similar products, the farmers growing coffee live in abject poverty in most of the nations. The fact that middle men make all the profit while the farmer gets underpaid is highly unethical and is an unsustainable system that has seen many farmers prefer to grow other products that might fetch a higher price as compared to coffee. The questions of long-term productivity in the coffee producing nations have sparked the debate for increased social sustainability in the market.

As the demand for coffee increases, the creation of new farmlands has also affected biodiversity in various nations. In order to find arable land to grow coffee, most people tend to cut down forests to create space for these extensive farms. Currently, agriculture drives 80% of tropical deforestation.

As the demand for the product rises and as more people start consuming coffee in other parts of the world, a need for environmentally sustainable practices is essential in promoting balance in these workplaces.

Environmental sustainability is major challenge in the industry, and one that has global implication on the entire population in terms of climate change and food sustainability.

The water footprint is another major sustainability issue. The average water footprint of a cup of coffee (a 125 ml cup) is 140 liters of water (Brown).

Coffee plants consumes a lot of water. Coffee mostly grows in highlands with high amounts of rainfall. Considering the ever-increasing global population, food security is a major concern. As such, the company's environmental impacts ought to be assessed and considered. Another major challenge that is affecting the company is the changing climate that is lading to unpredictable production of coffee. Climate change poses a major threat to all agricultural industries in the world and should be one of the areas that the organization focuses its attention on.

The company has taken several steps to deal with these challenges.

Between 2015 and 2019, the company took out sustainability bonds that have been increasing considerably since then. In 2015, the company introduced the \$500 million sustainability bonds that would be directed towards greening initiatives globally, and production sustainability. In \$2017, the company introduced a \$773 sustainability bond in the Japanese market to boost sustainability. In \$2019, the company introduced \$1 billion sustainability bonds, which was the largest it has ever taken to promote sustainability on all possible fronts. The company's initiatives have focused

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on areas such as renewable energy, GMO coffee seeds, incentives to farmers, and reduction of the carbon footprint in transporting coffee. Other fields include the Wildlife Fund, greener stores, and reduction of plastic pollution, such as through eliminating coffee straws.

The company's commitment to sustainability is nothing short of commendable. From investing in solar farms, to funding coffee farmers, and promoting forestation activities globally, the management appears to be committed to their goal with a long-term focus. Recently, management announced the plan of having more than 10, 000 green stores by 2025. The company has supported nations such as Puerto Rico by providing them with seeds and has developed an initiative to feed 10 million annually, by providing them with unsold foods at no cost (Rochman). From the concept of weak sustainability, Starbucks efforts are incredible.

The company has used debt primarily to finance its sustainability initiatives, and therefore, the shareholder value has not been adversely affected. In the long-term, the company could also make substantial savings from their initiatives. For instance, the greener stores campaign is set to save the company more than \$50 million in utilities and expenses within a decade. The company's commitment to using reusable cups has also saved the organization million in expenses. Improved publicity is also said to have a positive improvement in the company's reputation leading to more sales and free marketing from good publicity. This strategy of reporting their sustainability initiatives have not led to negative perceptions from the shareholders.

In conclusion, copying the Starbucks model for sustainability can be beneficial for all organizations throughout the world. However, an important consideration that the company should make is commitment to reducing the carbon footprint in the logistics of moving their products. For instance, using logistics companies that are committed to environmental sustainability would be essential for this undertaking. Similarly, investing in water projects in the poverty-stricken coffee producers can help promote the sustainability of the production process, while bringing social benefits to the society. If Starbucks incorporates these angles in their sustainability projects, they would be the perfect all rounded producer.

Works Cited

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