

# Increasing Market Share Through Social Branding

## *New Directives of Big Business: Ethical and Sustainable Supply Chains*

**Priya Haji & Dennis Macray**





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# Starbucks approach to Sustainable & ethical sourcing

Dennis Macray

September 18, 2009

University of San Diego



## >Being a responsible coffee company

**We've always believed in doing business responsibly.**

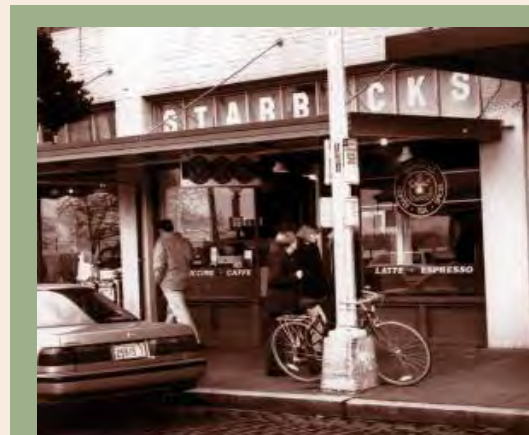
- Since 1971 – focus on people and our planet
- Reflected in our core values and our Mission Statement

**We're committed every day.**

- To responsible operations and business practices

**Ensuring the long-term sustainability of our business and our planet.**

- Our goals help us measure our progress



Starbucks original store at Seattle's Pike Place Market.



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## >What is Starbucks™ Shared Planet™?

**It's our commitment to doing business in ways that are good to each other and the planet.**

From the way we buy our coffee, to minimizing our environmental footprint, to being involved in local communities. It's doing things the way we always have. And it's using our size for good. And because you support us, Starbucks™ Shared Planet™ is what you are a part of too.



**Ethical  
Sourcing**



**Environmental  
Stewardship**



**Community  
Involvement**



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## >Where our coffee comes from



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[HOME](#) [OUR RESPONSIBILITY](#) [ETHICAL SOURCING](#) [ENVIRONMENTAL STEWARDSHIP](#) [COMMUNITY INVOLVEMENT](#)

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### INTERACTIVE MAP

CLICK BELOW TO  
LEARN MORE ABOUT:

- COUNTRIES WITH STARBUCKS STORES
- FEATURED PROJECTS AND FARMER SUPPORT CENTERS
- WHERE OUR COFFEE COMES FROM
- VISIT A COFFEE FARM



CHANGE VIEW: [WORLD](#) [LATIN AMERICA](#) [AFRICA](#) [ASIA PACIFIC](#)

Starbucks purchased 385 million pounds of coffee in 2008.





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## >What does Starbucks mean by ethical coffee sourcing?

- **Establishing relationships** with our coffee suppliers and treating them with respect and dignity
- **Paying premium prices** for high-quality coffee
- **Protecting the environment**
- **Rewarding suppliers who produce our coffee responsibly**

[SEE VIDEO](#)





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## >Ethical sourcing: coffee

**Our goal: 100% of our coffee will be responsibly grown and ethically traded by 2015.**

- World's largest purchaser of Fair Trade Certified™ coffee
- 10 years of partnership with Conservation International (CI)
- Ethical coffee sourcing guidelines
- Farmer Support Centers





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## >Our ethical sourcing guidelines: C.A.F.E. Practices



77% of total coffee purchases -295 million pounds (134 million kilos) purchased according to guidelines in FY 2008

## C.A.F.E Practices Scorecard

CAFE Practices Evaluation Checklist for Farmers, Processors & Suppliers				Farmers	Processors	Process/Farm	Suppliers
<b>Product Quality- Required</b>							
General Conditions	PQ-1	Green Preparation- Prerequisite					
	PQ-2	Cup Quality- Prerequisite					
<b>Economic Accountability- Required</b>							
Incentives for Sustainability	EA-IS1	Demonstration of Financial Transparency					
	EA-IS2	Equity of Financial Reward					
Financial Viability	EA-FV1	Financial Viability					
<b>Social Responsibility</b>				<b>Total Possible Section Points- 40</b>			
<i>Minimum for Preferred = 60%</i>		<i>Minimum for Strategic = 80%</i>		40	40	40	40
Hiring Practices and Employment Policies	SR-HP1	Wages and Benefits*		7	7	7	7
	SR-HP2	Freedom of Association/Collective Bargaining		4	4	4	4
	SR-HP3	Hours of Work		4	4	4	4
	SR-HP4	Child Labor/Discrimination/Forced Labor*		7	7	7	7
Worker Conditions	SR-WC1	Access to Housing, Water and Sanitary Facilities		6	6	6	6
	SR-WC2	Access to Education		4	4	4	4
	SR-WC3	Access to Medical Care		4	4	4	4
	SR-WC4	Worker Safety and Training		4	4	4	4
<b>Coffee Growing- Environmental Leadership</b>				<b>Total Possible Section Points- 40</b>			
<i>Minimum for Preferred = 60%</i>		<i>Minimum for Strategic = 80%</i>		40		40	40
Protecting Water Resources	CG-WR1	Watercourse Protection		5		5	5
	CG-WR2	Water Quality Protection		4		4	4
	CG-WR3	Water Resources and Irrigation		3		3	3
Protecting Soil Resources	CG-SR1	Controlling Surface Erosion		7		7	7
	CG-SR2	Maintaining Soil Productivity		5		5	5
Conserving Biodiversity	CG-CB1	Maintaining Coffee Shade Canopy		4		4	4
	CG-CB2	Protecting Wildlife		2		2	2
	CG-CB3	Conservation Areas		2		2	2
Environmental Management and Monitoring	CG-EM1	Ecological Pest and Disease Control		5		5	5
	CG-EM2	Farm Management and Monitoring		3		3	3
<b>Coffee Processing- Environmental Leadership</b>				<b>Total Possible Section Points- 20</b>			
<i>Minimum for Preferred = 60%</i>		<i>Minimum for Strategic = 80%</i>			20	20	20
<b>Wet Milling</b>					16	16	16
Water Conservation	CP-WC1	Minimizing Water Consumption			5	4	4
	CP-WC2	Reducing Wastewater Impacts			5	4	4
Waste Management	CP-WM1	Waste Management Operations/Beneficial Reuse			3	4	4
Energy Use	CP-EC1	Energy Conservation/Impacts			3	4	4
<b>Dry Milling</b>					4	4	4
Waste Management	CP-WM2	Waste Management Operations/Beneficial Reuse			2	2	2
Energy Use	CP-EC2	Energy Conservation/Impacts			2	2	2
<b>Grand Total Points Possible</b>				80	60	100	100

\*Conformance with the required indicators necessary

COFFEE

# Criteria Overview

- **Prerequisites** (evaluated by SBUX)
  - Green coffee must meet Starbucks quality specifications
  - Entities required to demonstrate financial transparency and financial viability
- **Zero Tolerance Indicators**
  - Minimum Wage, Child/forced labor, Access to Education, Discrimination, Management Tracking (PSO)
- **Criteria Requirement Indicators**
- **Continuum from *required* to *best practices***



## **Social Responsibility:**

71 indicators

- Wages, hours of work, benefits
- Freedom of association
- Child labor
- Access to Housing, water, sanitary facilities
- Access to education
- Access to medical care
- Worker safety and training



## Environmental responsibility: 136 indicators (growing & processing)

- Watercourse protection
- Water quality protection
- Water resources and irrigation
- Controlling surface erosion
- Maintaining soil productivity



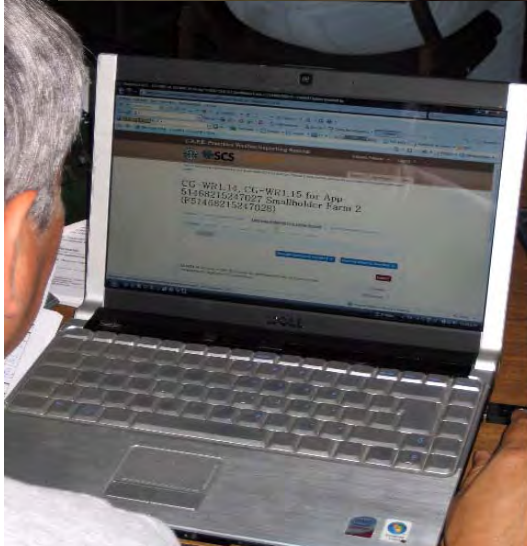
- Maintaining coffee shade canopy
- Protecting wildlife
- Conservation areas

## Scientific Certification Systems

Third party evaluation, certification, and auditing services since 1984.



- Verifier support and training
- Verifier check and shadow audits
- Office audits
- Program development
  
- 29 Approved verification organizations
  
- 150 inspectors globally





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## >Our ethical sourcing guidelines: C.A.F.E. Practices



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## >Ethical sourcing: coffee

We also have a long-term commitment to:

- **Buying certified organic coffee**
- **Partnering with NGOs** such as the African Wildlife Foundation, CARE, Coffee Kids, (RED), Earthwatch
- **Supporting social investments** such as schools and health clinics
- **Investing in a better future for farmers through loan programs**

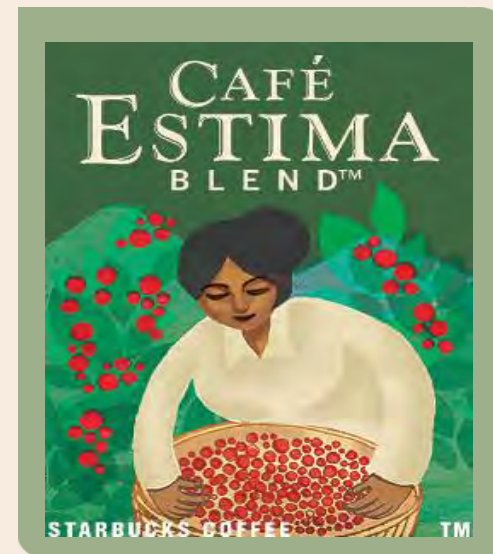




## >Fair Trade

**Starbucks and Fair Trade share a commitment to small-scale farmers**

- **2000:** Starbucks began purchasing Fair Trade Certified™ coffee.
- **2008:** Announced we will double our purchases in 2009 to 40 million pounds.
- **2009:** Launched the Small Farmer Sustainability Initiative. Commit to double farmer loans to \$20 million by 2015 and introduce coordinated audit system.





## >Conservation International

For more than a decade, Starbucks and CI have been working together to help farmers grow coffee in a way that's better for both people and the planet.



- **1999:** Starbucks and CI team up to encourage responsible growing practices in Chiapas, Mexico.
- **2001:** CI helps us develop our buying guidelines for environmentally, socially and economically responsible coffee.
- **2008:** We renew our partnership with a new climate change initiative.

# Preliminary Findings

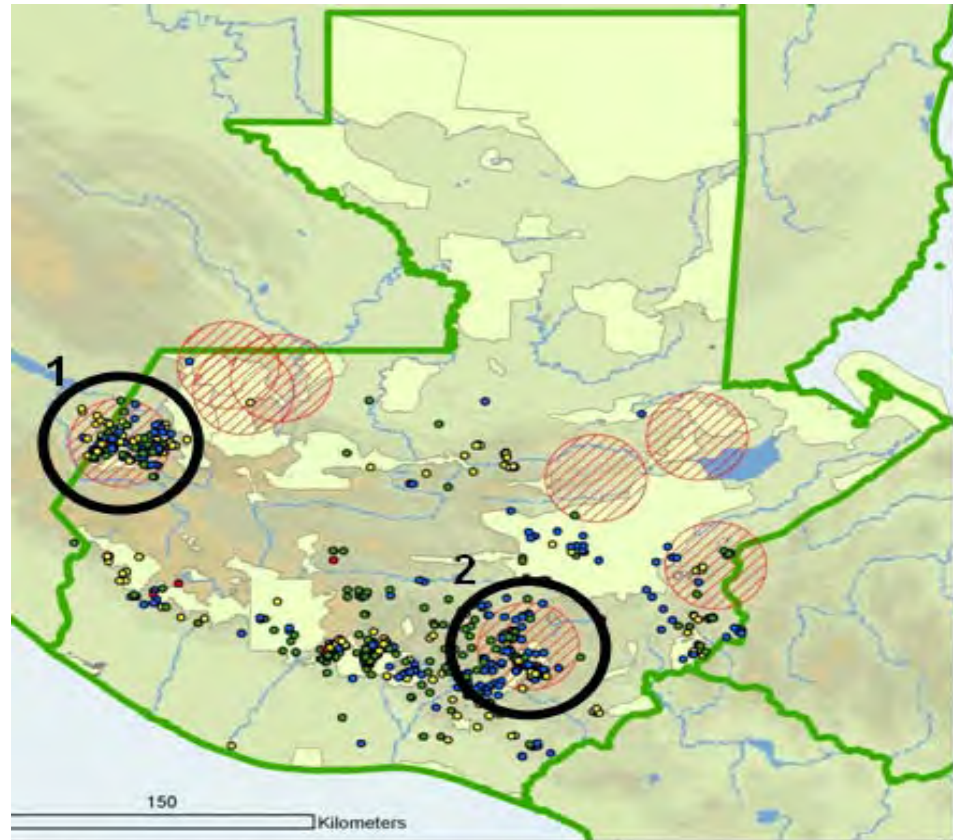
C.A.F.E. Practices was implemented by Starbucks suppliers in 19 countries across four continents, which overlaps with 16 of the world's most biologically rich regions that are under significant threat.

99% of farms participating in the program in 2007 demonstrated that they had not converted any natural forest areas to coffee production during the past 3 years.

99% of the 140,973 participating farms were small farms of less than 12 hectares (30 acres).

- On these farms, more than 820,000 workers have benefited from the social best practices outlined in C.A.F.E. Practices.
- 99% of small farms having school age children living on the premises ensured that these children attended school.

GIS mapping for field surveys:  
Farms in C.A.F.E. Practices



**Farm compliance**

- strategic
- preferred
- verified
- non compliant

**Conservation sites**

- ▨ Alliance for Zero Extinction (AZE) site (25km buffer)
- Key Biodiversity Areas (KBA)



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## >Starbucks Farmer Support Centers

Making a personal connection in coffee-growing communities



### Results:

- 20% increase in farmers' yields per hectare
- 80% percent reduction in the use of pesticides
- 383% increase in the supply of responsibly grown, ethically traded coffee



## >What does Starbucks mean by community involvement?

- **Investing in local communities** through community service and youth grants
- **Contributing to coffee communities** by working collaboratively with non-governmental organizations





*photo by Riccardo Gangale*



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## >Building green stores

Our goal: By 2010, all new Starbucks stores will be LEED certified.





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>For more information



[www.starbucks.com/sharedplanet](http://www.starbucks.com/sharedplanet)