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BMA6105-20 MANAGING SUSTAINABILITY

Executive Summary

The report dealt with the issues concerning the coffee industry with the context of Costa Coffee. It focused on the sustainability goals of the company and also the methods in motion to acquire them. The report dealt with the ways Costa Coffee can improve their strategies and also includes the recommendations to improve their economic and sustainable goals. The report also deals with the strategies Costa Coffee can integrate to boost their market position and economic growth sustainably.

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Part A: Introduction

Sustainability is one of the most pivotal aspects of the global economy and it requires elemental and strategic steps to be taken by a company or organisation. These steps are taken to meet the goals required by any company to accord with the sustainability requirements of UN SDGs. The sustainable aspect of any company aids it to navigate its resources and manage its business growth efficiently. The industry this report aims to assess is the coffee industry and the company in context is Costa Coffee which is based in London, United Kingdom. Costa Coffee was set up with the aim to cater coffee enthusiasts with great coffee. The service the company provides is elaborate since they test multiple variations of coffee before settling with Mocha Italia, a variant that is still classic to Costa Coffee.

Costa Coffee is one of the premium coffee brands known globally, and the company guarantees fresh blends of coffee varieties. Costa Coffee has over fifty years of business experience and has contributed their service to the customers. The specific quality assessment of the company offers premium coffee products in the market. This has aided the company to grow their market share and eventually establish themselves as a global brand. This report aims at studying the ways Costa Coffee functions. The sustainable methods it incorporates to update their service. The sustainability aspect of its operations and ways the company adopts to meet the global sustainable goals till 2030. This report further is going to analyse the ways and means by which Costa Coffee meets their business goals. This report is going to assess the concerning areas of a coffee industry, the procedures the company in context can take to improve the contributions made by the coffee industry. The report will be inclusive of the recommendations that can improve Costa Coffee's operations globally.

Part B: Background to sustainable business operations

Sustainability in business and organisations refers to the strategic assessment and methods incorporated to reduce the company's environmental impacts. The threat of climatic shifts has become a matter of perturbation and every company is trying to integrate and implement methods to lessen their carbon footprint (ibm.com, 2023). The Sustainable Goals for any company revolves around the methods and means it undertakes to reduce carbon emissions, energy consumption and grow their contribution to the planet. Costa Coffee produces sustainable products approximately by 30% lower than other coffee companies (costa.co.uk, 2023). Following this study of Costa Coffee, it is important to acknowledge that the company acquires 100% of their coffee beans and hot chocolates from Rainforest Alliance Farms in the UK (costacoffee.in, 2023). These Alliance Farms are certified by the government of the United Kingdom.

Costa Coffee has shown responsibility and care for their planet by ensuring social, moral, ethical and environmental practices globally throughout all their supply chains. Costa Coffee has also incorporated ownership practices that support locally sourced resource management (costacoffee.in, 2023). Costa coffee has integrated sustainability in resource management by supporting ambitions of their workforce to create locally sourced methods. The Rainforest alliance and its green frog seal is a symbol of global acceptance of economic, social and environmental sustainability. This alliance allows Costa Coffee to internationally work with local farming communities, products and sustainable farming innovations. This alliance targets their three goals to contribute to the People, Planet and Profit.

The people aspect deals with Human rights and introducing a consensual environment to work. They have a strict no coerced labour and slavery policy that helps them contribute to the working environment. This meets one of their specific Corporate Social Responsibility goals. Corporate Social responsibility aids a company to establish ethical, social, and environmental basis to their sustainable goals (Maali *et al*, 2021). This boosts the company's market growth globally. The planet aspect of Costa Coffee introduces several sustainable energy saving methods like training their farmers to utilise land and water sustainably. The profit aspect of Costa Coffee deals with the Rainforest Alliance policies incorporated by the company to meet their profit goals. This also includes lowering farming costs, availing qualitative methods to produce larger crops in less production costs (costa.co.uk, 2023). These methods aided the growth of Costa Coffee over other brands of coffee in the UK. In September 2021, Costa Coffee celebrated 13 years of their partnership with the Rainforest Alliance which shows their commitment to a sustainable goal and growth globally.

Costa Coffee integrated a new business strategy in 2016 by starting to train their supply chain employees to understand the importance of recycling and using of recyclable materials. The company not only fixed specific targets to reduce impact on nature but also focused on the economic growth of the company. The packaging the company serves their coffee to the customers globally includes using recyclable materials. The importance of recycling specifically helps the UK since the ratio of recycling cups was found one in every four hundred cups (Foteinis 2020). These recyclable materials are used in making their cups, lids, cans and coffee pods. Costa Coffee has started using 100% plant based recyclable materials to make their takeaway cups and has activated a business plan to locally source these materials globally (costa.co.uk, 2023). These materials aid the growth of the company by curbing production costs significantly.

The company has made promising progress by adopting several recyclable methods. Costa coffee has implemented plans to make their packaging products recyclable globally. This also includes their target to reach packaging items to at least contain 50% of recycled materials by 2030 (costa.co.uk, 2023). Costa Coffee company has launched glass based store ware that helped reduce 8 million plastic cups in 2018. Costa Coffee in partnership with Refill allows the aforementioned policy of the company to thrive since the organisation works to reduce waste and introduce systems to reuse products (refill.org.uk, 2023). The company has also in 2022, introduced a reusable regime called BURT or Borrow, Use, Reuse, and Take back.

BURT allows customers to use one specific cup at all Costa stores which they can carry whenever they visit any store in Glasgow, UK. The carbon emission reduction of Costa Coffee was found to be at 5% (businesssocial.org, 2023). The low rates of emission are pivotal for any company in the coffee industry since it allows leaving lower carbon footprints in the environment. Adopting such measures help in reducing the overall carbon footprint in the UK (Mohsin et al., 2019). Costa Coffee has developed a new idea of processing waste into a resource. The recycled products contribute to the planet and Costa has a goal of achieving a target of 0% by 2030 (costa.co.uk, 2023). The company has also warranted the use of upcycled coffee grounds in all global retail stores. These procedures and methods give Costa Coffee a background and basis to establish sustainable goals and operations.

Part C: Particular areas of concern related to the business

The United Kingdom is the largest coffee consuming market in Europe and British consumption relies on the quality of coffee pods. This is instrumental to understand that the quality is a measurable aspect in the coffee industry (cbi.eu, 2023). For example Costa Coffee relies on 100% harvesting through The Rainforest Alliance initiative to reach the coffee roaster. The primary concern with the coffee industry is integrating and sourcing the coffee beans from their locations of farming. Coffee is a tropical product and is mostly grown in Ethiopia, Brazil and Columbia (costa.co.uk, 2023). Although the United Kingdom is among the top importers of coffee in the world, importing these locally and sustainably grown coffee beans requires an enormous transport network. These transportation systems also include emission of carbon in the environment; it takes away from the company's initiative to reduce the carbon footprint.

Brexit has impacted the coffee industry in many ways and Costa Coffee being a company based in London suffered the most. The EU-UK Trade Cooperation Agreement has introduced more paperwork and administration costs (cbi.eu, 2023). This includes Costa Coffee to also incorporate these administrative changes which cost them with labour

shortages and transportation issues. Brexit also impacted the producing countries of sustainable coffee pods, by making these countries lose reliance on EU funded supply chains. However, this impacted the UK's quantity in imports as Brexit strengthened the relations of these producing companies with the UK. Costa Coffee has also been impacted because of their poor advertisement issues.

Advertising for a product plays a key and important role in boosting the company's growth. In the case of Costa Company, this suffered due to an advertisement they put up with a tagline called Bacon roll and coffee in 2022. Their advertisement consisted of an attractive pricing of £2 which misled the customers to believe they could avail both the roll and coffee for the price (economictimes.com). The real scenario was that the customers had to buy their coffee at the original price and could get a bacon or sausage roll for £2. This outraged the customers in outlets throughout the UK.

The transportation means adopted by the UK to extract their coffee beans requires shipping of the products from Ethiopia, Brazil and Columbia. This travelling burns a lot of fuel for the ships even though the crops are grown and produced sustainably. In the UK this carbon emission caused due to shipping is equivalent to 15.33 kilograms of CO₂ (cawleys.co.uk, 2023). This also includes Costa Coffee's contribution to carbon emission in spite of the company being very active in using sustainable means and methods.

The pricing aspect of a product also contributes to the growth of a company. Similarly, a bad pricing negatively impacts the company. Costa Coffee in context had changed the pricing of their drinks from £2.80 to £2.95; this enraged the customers of the colossal coffee company (manchestereveningnews.co.uk, 2023). Costa Coffee as a company lost a lot of customers. The company furthermore, saw a decline in their sales and revenue by 3%. This affected the company's reputation despite their inclusion of sustainable means, methods and procedures to farm produce and sell coffee worldwide.

Part D: Critical evaluation of alternative business practices relevant to identified concern

The United Kingdom is one of the top importers of coffee worldwide. The country has an estimated total of 9540 outlets which helps to establish the country's dependency on coffee products (cbi.eu, 2023). Costa Coffee alone contributed to 2791 outlets in the country. Therefore, it is imperative for Costa Coffee to provide alternatives to the alternative issues mentioned in the report. The biggest concern for Costa Coffee is to manage the carbon emissions related to the shipping of their coffee beans. Shipping is essential for any industry, trade and company and it contributes 3% of the worldwide greenhouse gas emissions

(europa.eu, 2023). Costa Coffee's goal is to curtail that rate. Costa Coffee alone has recycled 15,000 tonnes of coffee grounds. This certifies to the fact that the company relies more on recycling than extracting and shipping.

The European Union has integrated alternative fuels for all their shipping in recent years. This includes the application and using strategies and technological advancements to the shipping industry. Costa Coffee already uses methods that the EU recommends to lower the carbon emission rate. Using transitional fuels as per International Maritime Organisation or IMO can be a pivotal strategy to lower the rate of carbon emissions from ocean liners and trade vessels by 2050 (europa.eu, 2023). This includes incorporation of Liquefied Natural Gas or LNG. LNG consists of cooled methane which helps to reduce the volume by 600 times for a shipping vessel. This increases mobility for Costa Coffee.

The Nautilus project under EU constitutes another alternative called Fumes Removal for Costa Coffee to integrate to curtail the carbon emission rate. The Nautilus project includes a DLR engine that runs on an oxide fuel cell which includes an innovative combustion mechanism. The DLR engines convert the Liquefied Natural Gas or LNG to electricity rather than burning it, which lowers the carbon emission rate prominently. The incorporation of Green Methane into the alternate fuel practice has proven to be the most successful of all since it does not add any emission to the atmosphere (europa.eu, 2023). These methods can aid Costa Coffee to implement shipping methods that are sustainable.

The other issues that affected Costa Coffee's business operations are misleading advertisements and fluctuation of pricing of products. The impacts of the aforementioned issues resulted in the fall of sales by 1.5% for Costa Coffee (bbc.com, 2023). This rate affected the sales of Costa Coffee throughout the UK. However, the company implemented methods like boosting their advertisements in social media and using that as a medium to reach heads. The use of different social media platforms especially YouTube, Instagram and Twitter boosted the sales of the company through promotional advertisements (giraffesocialmedia.co.uk, 2023). The company also added strategic pricing methods like including offers that are a bonus to the customers. For example Costa Coffee introduced offers of refilling coffee cups one time for free if the customers brought their cups along with them. This aided the company to boost both their sustainable and economic goals.

Part E: Recommendations and Conclusion

Recommendation

Costa Coffee is a significant global brand, based in London, UK. Although the brand has a strong presence in Europe, the brand is recommended to increase their global reach

(pestleanalysis.com, 2023). The brand lacks access in other regions and the pricing aspect though done strategically in the UK, lacks the inclusion of products for low income groups. Therefore, the recommendation is to include the pricing strategies as per the income groups of that country to manage the competitive market. The company is also recommended to choose alternate fuels for their shipping of coffee beans to aid and meet Costa Coffee's sustainable goals.

Strategic Thoughts	Targets	Outcomes	KPIs
Diversification of products	Targets to increase product range by 10% by the end of 2023	Availability of products increases by 15% globally	Annual category wise sales count increase
Strategic pricing	Targets to lower the pricing by 5% by the end of 2023	Customer attraction increases by 20%	Number of customers increased globally
Alternative fuel consumption	Targets to lower carbon emission by 3% by the end of 2023	Sustainability of the brand increases by 12%	Increase in maritime sustainability and environmental growth

Table 1: Strategic recommendations

(Source: Created by Author)

Conclusion

The report included the background and operational measures of Costa Coffee in the coffee industry. The report addressed the concerning issues of Costa Coffee and the methods taken by the company to address them. The report also addressed the sustainable goals of the company and the ways Costa Coffee incorporated to meet the challenges. The report furthermore, dealt with the business issues Costa Company faced and the recommendations through which their business can improve globally and sustainably.

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